

Accounting Practices: The Change I See

A thesis submitted in fulfilment of the requirements for the Degree of

Doctor of Philosophy in Accounting

in the

University of Canterbury

by

P A Gayathri Gunatilake

University of Canterbury

2014

Table of Contents

Table of Contents	i
List of Figures.....	v
List of Tables	vi
Acknowledgements	vii
Abstract.....	ix
Chapter 1 Introduction.....	1
1.1. Essence of the study	1
1.2. The researcher, her methodology and methods.....	3
1.3. Research problem.....	5
1.4. Contribution to knowledge	7
1.5. Chapters of this thesis	8
Chapter 2 Research Methodology and Methods.....	11
2.1. Methodological assumptions.....	11
2.2. Research methods.....	16
2.2.1. Format and context of interviews.....	21
2.2.2. Nature of empirical material obtained during interviews.....	24
2.2.3. Documentary evidence	25
2.2.4. Processing and reporting empirical materials	27
2.3. Summary	30
Chapter 3 Review of Organisational Change Theories in Accounting Studies.....	32
3.1. Theories of organisational change.....	32
3.1.1. What is organisational change?.....	32
3.1.2. Typologies of organisational change theories	33
3.2. Organisational change theories in accounting studies	36
3.2.1. Teleological approach	38
3.2.2. Evolutionary approaches	38
3.2.3. Organisational life cycle approach.....	45
3.2.4. Institutional theory approach.....	49
3.2.5. Critical studies on accounting change	52
3.2.6. Studies about accounting practices in the Sri Lankan context	57
3.3. Alternative approaches to study change.....	61
3.4. Summary	65

Chapter 4 Change as a Construction	67
4.1. Limitations of organisational change theories	68
4.1.1. Identification of a unit of change	68
4.1.2. Reductionism.....	70
4.2. Change explained as impermanence.....	75
4.3. Construction of entities	80
4.4. What is change?	81
4.5. Intervals of change/construction of time periods.....	83
4.6. Problem of identification of time periods	85
4.7. Why people act differently in a given context	86
4.8. Composite change.....	90
4.9. Importance of understanding change as impermanence	93
4.10. Summary	94
Chapter 5 Knowledge Constructed about Sri Lanka Telecom and its Context.....	96
5.1. The context of Sri Lanka.....	98
5.1.1. Sri Lanka as a monarchy (377 BC – 1505 AD)	101
5.1.2. The colonial era (1505 – 1948)	101
5.1.3. From independence in 1948 to 1977	111
5.1.4. Sri Lanka from 1977 – 1994	115
5.1.5. Sri Lanka from 1990 – 2000	116
5.1.6. The twenty-first century	119
5.1.7. Summary	120
5.2. Global trends in the telecommunications industry	120
5.2.1. The International Telecommunications Union.....	123
5.2.2. Organisation of telecommunications in various countries	124
5.3. Accounting and the accounting profession in Sri Lanka	126
5.4. Telecommunication industry of Sri Lanka and Sri Lanka Telecom.....	131
5.4.1. Chronological developments.....	132
5.4.2. The restructuring of the telecommunications industry and Sri Lanka Telecom.....	140
5.4.3. Change within Sri Lanka Telecom.....	147
5.4.4. Sri Lanka Telecom since 2000	157
5.4.5. Developments in the Telecommunication Industry in Sri Lanka	159
5.4.6. The current transformation process and the future.....	162
5.5. Summary	165
Chapter 6 Impermanence of Accounting Practices	168
6.1. Colonial Department period (1857 – 1948)	172

6.1.1.	Elements and nature of reporting practices	174
6.1.2.	Revenue, pricing and costing	183
6.1.3.	Decision making structure.....	184
6.1.4.	Operational performance.....	186
6.1.5.	Evaluation of employees' performance.....	187
6.1.6.	Accounting controls	189
6.2.	Government Department period (1948 – 1991)	190
6.2.1.	Elements and nature of reporting practices	191
6.2.2.	Market pricing and costing.....	194
6.2.3.	Decision making process.....	195
6.2.4.	Operational performance.....	197
6.2.5.	Evaluation of employees' performance.....	197
6.2.6.	Accounting controls	198
6.2.7.	Planning tools.....	200
6.2.8.	Summary	202
6.3.	Sri Lanka Telecom Corporation period (1991 – 1996).....	202
6.3.1.	Elements and nature of reporting practices	203
6.3.2.	Decision making process.....	205
6.3.3.	Summary	205
6.4.	Sri Lanka Telecom period (1996 onwards)	206
6.4.1.	Elements and nature of reporting and accounting practices	208
6.4.2.	Market pricing and costing.....	217
6.4.3.	Decision making process.....	219
6.4.4.	Evaluation of operational and employees' performance	221
6.4.5.	Accounting and management controls	223
6.4.6.	Planning tools.....	226
6.4.7.	Revenue assurance	228
6.4.8.	Quality assurance	229
6.4.9.	Future	230
6.5.	Synthesis	230
6.6.	Summary	234
Chapter 7	The Change I See	238
7.1.	Can we identify an absolute cause of change?	239
7.2.	Why different people perceive change differently	246
7.3.	Identification of periods	254
7.4.	Construction of change and different entities	258

7.5.	Composite change	263
7.6.	The change of a constructed entity	265
7.7.	Summary	268
Chapter 8 Conclusion		270
8.1.	Reflection about philosophy	271
8.2.	Reflection about methods.....	273
8.3.	Findings and contribution of the study.....	275
8.4.	Statement of limitations	278
8.5.	Future research.....	281
Appendix 1 List of Empirical Materials		283
Appendix 2 Letter of Human Ethics Approval.....		297
Appendix 3 Letter of Supervisors' Support.....		298
Appendix 4 Approval from Sri Lanka Telecom		300
Appendix 5 Information Letter		301
References.....		302

List of Figures

Figure 1: Participants According to the Hierarchy of Sri Lanka Telecom	22
Figure 2: Participants According to Divisions of Sri Lanka Telecom	23
Figure 3: Clarke's Situational Matrix (Source: Clarke, 2005)	64
Figure 4: Linear Relationship	74
Figure 5: Sequence of Instances - 1	78
Figure 6: Sequence of Instances - 2	79
Figure 7: Construction of Person 1	87
Figure 8: Construction of Person 2	87
Figure 9: Construction of Person 3	88
Figure 10: Changes in the Context	90
Figure 11: Change in Different Aspects	93
Figure 12: The Context of the Study	97
Figure 13: Map of Ceylon	107
Figure 14: Trends in Human Development Index	118
Figure 15: Operational Regions of Sri Lanka Telecom.....	154
Figure 16: The Administrative Structure of the Colony Government and the Department during the Colonial Department Period	173
Figure 17: Administrative Structure during the Government Department Period	196
Figure 18: Various Constructions of Different Individuals.....	247

List of Tables

Table 1:	Classification by Kezar	37
Table 2:	Why Organisations Change	71
Table 3:	Combined Changes in the Context and in Accounting Practices.....	100
Table 4:	Perceived Changes in the Context of Sri Lanka	103
Table 5:	Perceived Changes in the Global Telecommunications.....	122
Table 6:	Perceived Changes in Accounting Profession in Sri Lanka.....	127
Table 7:	Changes Perceived in Telecommunications Industry in Sri Lanka and Sri Lanka Telecom.....	133
Table 8:	Accounting Reports Perceived in the Colonial Department	176
Table 9:	Accounting Reports Perceived in the Government Department	192
Table 10:	Accounting Reports and Practices Perceived in Sri Lanka Telecom Corporation	203
Table 11:	Reporting and Accounting Practices Perceived in Sri Lanka Telecom	211
Table 12:	Summary of the Perceived Changes in Accounting and Reporting Practices	236
Table 13:	Frequency of Changes Perceived in Sri Lanka Telecom, Its Context and Accounting Practices.....	242

Acknowledgements

It is with great pleasure that I express my heartfelt gratitude and appreciation to my supervisors, Associate Professor Beverley Lord and Dr Keith Dixon, who inspired me to take a different approach to my research. Even though the research was based on a worldview that was foreign to them, they guided me closely and with care. They pointed out my mistakes, corrected my shortcomings and also exposed me to new trends of thought. Beverley and Keith have supported me in every aspect, from when I first applied to the University of Canterbury to during my stay in New Zealand, especially through the difficult times we had during the earthquakes. They were like parents and friends to me. It is my belief that the successful completion of this research would not have been possible if not for their kind guidance and sincere encouragement. They have been everything that one could want in a teacher.

I would like to extend my gratitude towards everyone in the Department of Accounting and Information Systems, University of Canterbury, for giving me the opportunity to pursue a PhD in Accounting. In particular, I am grateful to all the staff members who gave me their valuable advice and encouraged me at the annual Departmental PhD days. Also, I am thankful to the Department for giving me the opportunity to be a tutor for the past four years, which financially supported me and allowed me to try my own hand at teaching.

A special thanks goes to Sri Lanka Telecom for giving me the opportunity to conduct interviews at their organisation and allow me access to numerous resources. More importantly, I am highly appreciative of the generous cooperation that staff members gave, which allowed me to conduct interviews in spite of their busy schedules. I am especially grateful to Mr U. Jayekody, Mr S. Kandanearachchi, and Mr A. T. L. P. Samarasinghe for coordinating and arranging interviews. I am also grateful to informants from Dialog Axiata Plc., Sri Lanka, for their contributions. Without the considerable support given by all informants, completion of this study would have been a difficult task. Furthermore, I would like to thank Supun Maduranga, Samitha Tennakoon, Dumidu Sanjeewa, and Ranjana Muthumala, students at University of Sri Jayewardenepura, Sri Lanka, for helping me find and photocopy newspaper and magazine articles.

I am grateful to the Postgraduate Office at the University of Canterbury for organising

various seminars and events which supported the successful accomplishment of my study. Also, I would like to thank the University of Canterbury Postgraduate Students' Association and my colleagues at the College of Business and Economics, who made my student life at Canterbury a memorable one. Special thanks goes to Piyarat Dokkularb, who shared an office with me for nearly three years, for her kindness and friendly cooperation. I am also thankful to Adrian Bradshaw for his useful comments on my initial draft.

I am thankful to the New Zealand Government for giving all international students the opportunity to pursue a PhD at New Zealand universities whilst paying domestic student fees. This greatly reduced the financial burden of pursuing my PhD. My special thanks goes to the National Centre for Advanced Studies in Humanities and Social Sciences, Sri Lanka, for providing me with partial funding to undertake my studies in New Zealand. Also, I would like to thank the University of Sri Jayewardenepura, Sri Lanka, for granting me academic leave to study at the University of Canterbury.

Finally, I take this opportunity to extend my sincere gratitude to all my teachers throughout my lifetime, from pre-school to postgraduate studies. In particular, I appreciate the strength given to me by my school, Maliyadeva Balika Vidyalaya, Sri Lanka, which I carry with me always. Last, but not least, I gratefully recognise the free education provided to me by the government of Sri Lanka up until the completion of my bachelor's degree.

Abstract

In this thesis I explain change in accounting practices and organisations as a construction of the observer. My case study demonstrates how observers construct different static entities and observe change of those constructed entities, and why individuals perceive change differently. These are some key issues raised by past researchers of accounting change that require further examination and fuller explanation.

A belief in a reality, assumption of a linear evolution over time and space, and reductionism are common assumptions in extant studies on change. These factors lead to difficulties in understanding what change is and why individuals perceive change differently. In contrast, this study uses the concept of impermanence from Buddhist philosophy, which assumes that everything that one perceives as existing is a construction of the observer, owing to limitations in perceiving the continual process of emergence and decline of all things. Using this concept, I demonstrate that what we observe as change in accounting practices is the difference in the properties of the static entities constructed by individuals due to delays in observing or inability to observe all instantaneous changes of a given aspect. As individuals' constructions are subject to their personal knowledge, interests, and experiences, constructions differ from one observer to another. As individuals observe changes relative to the properties of their own constructions, they perceive change in accounting practices differently and act accordingly.

A longitudinal case study method is adopted as it supports the researcher's methodological assumptions. Empirical materials were gathered on change in a telecommunications organisation in Sri Lanka. Interviews and document review were used as the major methods of collecting empirical evidence to construct my knowledge about Sri Lanka Telecom, its context and accounting practices.

This study introduces a new perspective to the current literature in order to explain change in organisations and accounting practices. It answers questions that remained open in relation to change in accounting practices. I suggest that further research using the concepts introduced in this study would benefit the discipline, particularly in relation to implications of changing accounting practices in organisations.

Chapter 1

Introduction

1.1. Essence of the study

Change in accounting practices, alongside changes in organisations and their environments, have been the subject of many studies in recent decades. Accounting change researchers have applied various theories of organisational change based on different ontological and epistemological assumptions. That is, theories developed to explain change in organisations have also been used to explain change in accounting systems, as well as to explain interrelationships among change in organisations and accounting change in those organisations. Examples of these theories are contingency theory (Abdel-Kader & Luther, 2008; Baines & Langfield-Smith, 2003; Chenhall, 2003); organisational life cycle theory (Davila & Foster, 2005; Granlund & Taipaleenmaki, 2005; Moores & Yuen, 2001; Silvola, 2008 a, b); evolutionary theory (Johansson & Siverbo, 2009); institutional theory (Burns & Scapens, 2000; Scapens, 2006); and actor network theory (Briers & Chua, 2001).

Although this study is also about change in accounting and change in organisations, I will explain change by introducing a different perspective on theory and a fresh arrangement of concepts compared to the studies just referred to. This departure from extant theories is due to my cultural background and how my ontology has been shaped compared with the Western ontologies that underlie the aforementioned theories. According to my findings, adherence to any one of these theories restricts the scope of what is being observed, and results in analysis and interpretation of the organisational development and change being studied in only a partial manner. For example, genealogical studies emphasise power in organisations, whereas other theories, such as evolutionary and organisational life cycle theories, attempt to explain organisational behaviour in biological terms.

I am from Sri Lanka and have been brought up in a society influenced mainly by Buddhist philosophy, ideas and ontology. In contrast to many Western viewpoints, a Buddhist perspective is sceptical about there being an external reality. “Reality” is dependent upon each individual’s perception. According to Buddhist philosophy, impermanence (*aniccata*) is

one of the three marks of existence.¹ Impermanence explains the continuous change process (emerging and declining of things from one moment to another) of any object (visible forms, sound, odour, flavours, touch and mental objects) that appears to exist, or of all formations of existence; for example, emergence and decline of what we see as a tree, hear as a song, or feel as a physical pain. Depending on how individuals perceive this change process, they construct “things” that appear or feel “real” to them. For the purpose of this study, I use the term “construction” as *“the process of attaching meaning to, of understanding or of interpreting and sensing objects as existing, due to the inability to perceive the impermanence of all circumstances, situations and events”*. Each person’s construction is also limited to how much they are able to observe. Thus, what people perceive as “reality” or “the world” or “knowledge” or “the organisation” is a construction of each individual. Individuals observe change of their own constructions, as the knowledge constructed by each person is subject to that person’s perceptions.

This study attempts to explain change of organisations and accounting practices in terms of this concept of impermanence. That is, it argues that everyone constructs their own knowledge about change individually; and so the prospect of a universally observable change is unreal. Because I am conducting and writing this study, the change explained in this study is a construction of mine; and if others were to carry out similar observations each would arrive a different construction.

I believe that the findings from this study can provide new interpretations for change in accounting practices. In particular, the application of the Buddhist concept, that there is no existing reality (*anatta*), is dramatically different from the traditional concepts that are applied in many other studies. I explain that, depending on the ability of observers to perceive the impermanence of given circumstances, situations and events that appear to exist, they construct static entities. An entity is an object that has existence with specific properties. Therefore, what observers/researchers study as “change” is their perceived differences in the properties of their constructed entities at two consecutive point instances. As the constructed entities are the perceptions of the observers, the knowledge about the change of the entity is also a construction of the observer. Accordingly, compared with Western theories, taking a Buddhist philosophical perspective provides a new interpretation for “what is changing” and

¹ The others are *dukkha* (\approx suffering/unsatisfactoriness) and *anatta* (\approx soullessness).

“why individuals perceive change differently”, these being questions which have been raised in literature on change in accounting practices (e.g., Burns & Scapens, 2000; Busco et al., 2007; Guerreiro et al., 2006; Quattrone & Hopper, 2001).

1.2. The researcher, her methodology and methods

My Buddhist way of thinking makes certain (impermanent) assumptions about the world and knowledge. These have implications for this study. In particular, at present, I do not believe in a real world outside of myself. I believe that my knowledge about the world is constructed by me. Further, I believe that human behaviour is complex and that there is a cyclic or reciprocal relationship among economic, political and cultural contexts of humans and human behaviour. That is, human behaviour is conditioned by economic, political and cultural contexts, and vice versa. The same principle applies to the behaviour exhibited by (or ascribed to) companies, firms, organisations, institutions, societies and similar, which, after all, are essentially comprised of numerous human beings.

An immediate implication of what I have said, and the way I have expressed it, is that I use the first person when expressing my views in this thesis. Third person pronouns are usual or even required in most Western academic works. However, they imply a separation between writing research results and the researcher’s personal perspective, and so the existence of objectivity and reality separate from and independent of the researcher. In contrast, I argue that knowledge is a construction of individuals based on their experience, perceptions, beliefs, interests and opinions. Thus, my use of the first person emphasises that the views in this study are mine, and are distinct from those of another researcher studying what may appear to be the same circumstances, situations and events.

This study is based on my methodological assumptions that originate from my Buddhist belief system, and from my wider social and cultural background. Given the above assumptions about ontology, epistemology and human nature, I believe that the best method to adopt in this study is qualitative, which allows me to evaluate and explain human behaviour within a given context. I also decided to study what many people regard as a specific organisation, Sri Lanka Telecom. This regard stems from there having been documented a succession of legal entities whose activities date back to the genesis of telecommunications in Ceylon, or present-day Sri Lanka.

Indeed, Sri Lanka Telecom has been operating for more than 150 years. Moreover, for most of that time Sri Lanka Telecom operated essentially what was a real network of cables and wires; it has only recently built a virtual network. That real network was primarily confined within the country's island/coastal borders, although there were points at which it joined the international, or universal telegraphic and telephone networks. Within the country, the network predominantly encompassed the whole Sri Lankan telecommunication industry, an industry that has been prone to significant changes, influenced new trends in global technology and the international telecommunication industry. Thus, by selecting a specific organisation within the telecommunication industry in a single country for 150 years, I created the opportunity to study and gather empirical materials about wide-ranging aspects, both local and global. Sri Lanka Telecom has been a challenging and informative domain in which to study "change".

The legal status and name of Sri Lanka Telecom over its 150 year history (i.e. the circumstances and events as perceived and constructed in official documents by the people involved, including me) of the legal entity currently known as Sri Lanka Telecom are significant in how this thesis is written. The Ceylon Telegraph Department, the inaugural precursor of Sri Lanka Telecom, was established in 1857 under the British Colonial Government. It operated as a Government Department (1857-1990) and later a Government Corporation (1991-1996). Then it was partially privatised, with the sale of 35.2% of its shares to a Japanese company. With the divestment of a further 12% of its shareholding to the general public in 2002, it became a public company and its shares started to be traded on the Colombo Stock Exchange in 2003. In 2008, the Japanese company sold its entire shareholding to a Dutch company.

The official names used for the organisation in the past are not entirely clear in the evidence collected. Therefore, for the purpose of this study, the organisation is referred to as the "Ceylon Telegraph Department" from 1857 to 1940; the "Posts and Telecommunications Department" from 1940 to 1980; and the "Telecommunications Department" from 1980 to 1991. Alternatively it is more concisely called the "Colonial Department" and "Government Department", when the information refers to the period from 1857 to 1948 (pre-independence) and the period from independence in 1948 to 1980 respectively. Sometimes it is simply referred to as the "Department" when the information refers to the period from 1857 to 1991. It is named the "Sri Lanka Telecom Corporation" or "the Corporation" from

1991 until privatisation in 1997. Thereafter or when the entire time period of 150 years is included, it is called Sri Lanka Telecom.

The main methods of collecting empirical material about Sri Lanka Telecom were interviews and document reviews. The interviews were particularly significant for collecting information about the recent past of both the organisation and the telecommunication industry as a whole. Evidence gathered from both publicly available and corporate documents, as well as observations from these, were used as supplementary evidence to these empirical materials. In relation to the more distant past, documents available at the Department of National Archives and the National Library and Documentation Board, both in Colombo, were key sources of information. Books and other documents also provided information about the context of Sri Lanka Telecom (i.e. the circumstances and events in Sri Lanka, global trends in the telecommunications industry, the accounting profession in Sri Lanka and the telecommunications industry of Sri Lanka that I observed as important and relevant to changes in Sri Lanka Telecom), its various “owners” (including the Governments of Ceylon and Sri Lanka) and the country.

Collecting empirical material from the aforementioned multiple sources enabled investigation of a broad range of historical and attitudinal issues. Conducting analysis and interpretation of these data from a Buddhist philosophical perspective came naturally to me because of my social background. In contrast, the most significant challenge for me as a researcher has been to cope with the extant research on accounting change because it has been conducted largely from a perspective (i.e. Western) that is unnatural to me.

1.3. Research problem

The comparison of my methodological assumptions with those of the current literature on accounting change enabled me to identify that the issues put forward as limitations in those studies are mainly owing to the methodological assumptions of those studies. Accordingly, the main objective of this study is to develop a framework, based on my methodological assumptions, to provide an interpretation for change so that the framework explains reasons for such problems typically confronted by researchers of accounting change studies.

Burns and Vaivio (2001) claim that many organisations are experiencing significant changes in terms of organisational design, competitive environments and information technology. They note that such changes have caused a need for a change in management accounting also.

Thus, Burns and Vaivio claim that it is important to understand management accounting change.

There have been many studies of organisational change before and since this claim was made. However, in spite of these, Busco et al.'s (2007) and Quattrone and Hopper's (2001) argument that the epistemological and ontological status of "change" is not studied adequately may still apply. They argue that both rational choice and contextualist approaches to change assume researchers can identify a reality from which to trace the scale and direction of changes. In other words, researchers study movement of a discrete organisation as it is transformed from a static reality to another static reality between one point in time to another. Even some recent studies that use critical perspectives (e.g., Alawattage & Wickramasinghe, 2008; Wickramasinghe & Hopper, 2005), a cultural approach (such as Busco & Scapens, 2011), or an institutional approach (e.g., Burns & Baldvinsdottir, 2005; Guerreiro et al., 2006) to explain accounting change still assume change of a discrete organisation or similar entity from one state in time to another. Thus, Busco et al. raise the importance of understanding ontological and methodological issues involved in explaining change and argue for greater and more diverse conceptualisations of change than what have been used in accounting research. Therefore, an objective of this study is to develop an interpretation of the question of "what is change?"

As alluded to in Section 1.1, this study reflects on how existing organisational theories are limited by the assumption of an existing reality and by linking one or a limited number of driving forces of change to such realities. In contrast, I attempt in this study to explain how and why participants and other interested observers construct an entity in different ways, so giving rise to as many constructed entities as there are observers; and I explain my perceptions of change as a further construction occurring in those constructed entities. Such interpretation of change will explain why, in some instances, accounting practices are perceived not to have changed, even in the presence of factors that cause or set the stage for change according to particular theories, an issue raised in past literature (e.g., Auzair & Langfield-Smith, 2005; Burns & Scapens, 2000); and why individuals perceive change differently. The approach I develop is consistent with my methodological assumptions to explain change, so that the issues put forward by some accounting researchers are explained. As indicated earlier, I shall use the Buddhist philosophical concept of impermanence to observe and explain change in organisations and accounting practices, explaining change as a

dynamic process, in contrast to observing a discrete change of a real existing entity (an organisation or an accounting practice). In short, this study illustrates that change should be understood as a construction of the observer. Such analysis and interpretations will provide a more comprehensive explanation of changes and explains reasons for the issues highlighted in past accounting studies. My chosen organisation, Sri Lanka Telecom, is used as a source of empirical materials with which to explore how individuals perceive impermanence of accounting practices in an organisation.

1.4. Contribution to knowledge

The findings of the study contribute to the existing literature by presenting a novel perspective on accounting change based upon the concept of impermanence. This concept has not been used previously to explain change in accounting practices. A significant consequence of applying this concept and perspective is to shed light on the significant issues alluded to in Section 1.3 arising in prior studies that use Western philosophical assumptions.

In particular, “what change is” and “why individuals perceive change differently” are two important issues that require further inquiry. Based upon the past literature, I found that answering these questions involves understanding the nature of change. Particularly, Busco et al. (2007) claim that conceptualisation of the nature of management accounting change requires questioning the ontological assumptions on which extant theories are based. Accordingly, I apply my methodological assumption, that the world that appears to exist is merely a construction of observers and subject to each individual’s knowledge, experience and interests, and thus provide a new interpretation of the nature of change and how individuals perceive change. Based upon the concept of impermanence, I explain that observers construct various static entities depending upon their ability to perceive the impermanence of any given circumstance, situation or event that appears to exist. Based on this ontological assumption, I explain change as the observation/investigation of variations in the properties of the entities constructed by each observer, rather than of an object that exists independent of the observer. As the constructed entities are subject to the perceptions of each observer and different for each observer, this explains why observers perceive changes differently. Accordingly, the framework introduced in this study, based upon my methodological assumptions, contributes to the current knowledge about accounting change by providing an interpretation to the two questions, “what is change?” and “why do individuals perceive change differently?”

1.5. Chapters of this thesis

This section outlines the eight chapters comprising this thesis. Despite the order they are in, the matters they report, particularly reviewing literature, collecting evidence and writing the thesis, have been carried out concurrently to a significant extent. Thus, for example, even though I present the details of the collected evidence in Chapters Five and Six, in the first few chapters I use examples from this evidence to illustrate the concepts that I am discussing. Furthermore, although reviews from existing academic literature are presented in Chapters Three and Four, the content of the literature was mostly identified as and when the field activities I related in Chapters Five and Six raised my curiosity about what I was observing and how I might interpret my observations. These field activities prompted me to search for literature to see if what I was finding, discovering and perceiving had come to the attention of others before me and whether their findings could be blended into my study.

Here are synopses of the eight chapters.

In this first chapter, I present the background to this study, introduce matters of methodology and methods, define key concepts, outline the importance of the research problem and the intended contribution, and relate the structure of the thesis.

In the second chapter, I elaborate my methodological assumptions and explain the research methods adopted for this study. I explain why I do not believe in an objective reality, why I believe that knowledge is a construction of individuals and why these assumptions are important in explaining change. Then, I explain the process of gathering empirical evidence from various sources, including the issues faced and actions I took to minimise the implications of those issues. I position these explanations in Chapter Two because it is important to understand my methodological assumptions before reading my reviews of the current literature and how I have identified the limitations of theories and concepts in that literature.

In the third chapter, I review commonly used theories of organisational change and give examples of their appearances in accounting research. In this chapter I explain the limitations discussed by researchers in explaining change in accounting practices. In the last section I assess the applicability of some social theories based upon methodological assumptions that are closer to mine but which have not been used in accounting change studies.

There are several aspects to the fourth chapter. Firstly, I show why underlying assumptions of theories used in accounting studies are inadequate to explain the issues raised in some past accounting studies. Then I demonstrate the need for a different perspective to explain “change” and I discuss the concepts that are used in this study to explain change. I continue by explaining the concept of impermanence as based on Buddhist philosophy. Then I discuss how people construct different entities out of circumstances, situations and events that appear to exist. I illustrate how we construct intervals of change and highlight issues associated with constructing time periods. Furthermore, I explain why people act differently towards particular changes in a context. I also demonstrate how the concept of impermanence can be adopted to explain changes to Sri Lanka Telecom and the importance of this concept.

I present how I perceive and construct change in Sri Lanka Telecom and its context in the fifth chapter, based on the empirical evidence I have gathered. In this chapter I include a summary of the changes I observed in the background of Sri Lanka from the colonial period to date, in the global telecommunication industry, in the accounting profession in Sri Lanka and in the telecommunication industry of Sri Lanka and Sri Lanka Telecom. In order to construct the change in Sri Lanka Telecom and its accounting practices, it is important to understand the context in which the case company has developed and how different aspects are linked together.

In Chapter Six, I present a summary of the changes in accounting practices at different points of Sri Lanka Telecom’s existence as interpreted from the observations communicated to me in interviews and in other materials. Based on the evidence gathered from interviews, I also show how individuals perceived impermanence in these accounting practices differently.

In the penultimate chapter, I demonstrate how the concepts discussed in Chapter Four function in explaining how individuals construct change in the organisation and its accounting practices, using the evidence presented in Chapters Five and Six. I discuss how difficulties arise when we focus on no more than a few aspects and conditions of the context of the organisation in order to explain change in accounting practices. I elaborate further on why different people perceive change differently and act differently. In explaining change, and how people perceive change and construct realities, I apply the concept of impermanence and elaborate its potential for further studies.

In the final chapter, I draw conclusions from the research study, discuss its contribution, discuss the limitations of the concepts used in this study and the appropriateness of alternative approaches mentioned in Section 3.3 that could be used in providing answers to research questions related to accounting change and outline future research directions.

Chapter 2

Research Methodology and Methods

The aim of this chapter is to explain my methodological assumptions and the research methods I applied. The chapter is divided into two sections. In the first section, I outline, explain, justify and evaluate the philosophy of knowledge I have adopted during this study and in writing my results. This includes my beliefs about ideas that in Western philosophy are separated into epistemology, ontology and the nature of human behaviour. This section explains the importance of my methodological assumptions when studying change in accounting practices.

This is followed by a second section in which I explain the methods applied, and why I used those methods. I also describe and explain the process of gathering empirical evidence, and recount how I analysed that empirical evidence.

2.1. Methodological assumptions

The philosophy of knowledge I have come to adopt during the course of this study derives from various ideas associated with Buddhist philosophy, in particular the concepts of non-existence and impermanence. I explore their application to the study of change in how accounting is practised. The following paragraphs introduce underlying assumptions of the concepts I use to understand change in accounting practices.

Nalin De Silva is a Sinhalese Professor in theoretical physics and an author of many books and articles on philosophy and politics. He claims that how people look at the world and how they create knowledge is subject to one's culture. In particular, he presents a view about the world and knowledge based on a Buddhist perspective, including how it differs from Western philosophy. In Western philosophy it is usually presumed that there are two branches, epistemology and ontology. However, according to De Silva (2002), these branches are at least inter-connected, and possibly inseparable. In contrast to the ideas expressed on existence in Western materialistic philosophy, he argues that existence is not independent of knowledge of existence, and so ontology is inseparable from knowledge and theory of knowledge. To him the answers to questions such as, "Does the world exist independent of the mind?" or "Is there a world independent of the mind?", have to be considered as knowledge, if we are to build a theory of existence. It is from this theory that he came to realise there is no real world

to be discovered outside of the individual. Instead, the world is a construction of individuals; and meanings and concepts about the world are individually subjective.

As to “existence”, Nayanatiloka Thero (2004) claims that the *anatta* (non-self) doctrine is the only specific Buddhist doctrine that distinguishes it from other philosophies or religions. Nayanatiloka Thero explains *anatta*:

neither within the bodily and mental phenomena of existence, nor outside of them, can be found anything that in the ultimate sense could be regarded as a self existing real ego-entity, soul or any other abiding substance (2004, p. 16).

As such, according to Buddhism, even the mind does not exist as a permanent entity. For example, Chandawimala Thero (1947) refers to mind as “mind current” to avoid the incorrect notion of permanence being attributed to the term “mind”. Chandawimala Thero gives several examples of how the mind creates the impression of concrete things, some of which are easier to comprehend as less concrete than others. For example,

If a burnt fire brand is rotated fast, there appears a ring of fire. This ring of fire appears as a consequence of the speed of the brand... Morning-evening, midday-night, day, month are things that are conditioned. These are concepts that arise contingent upon movements of earth and sun and their relative positions in space. They are not things in themselves. It is amply evident to a clearly thinking individual that they are merely conceptual and that there is no essence in them. The like of the fire-ring and morning-evening are projections of other objects and are observed thereof (1947, p. 33).

Moreover, explaining how we create objects in our mind, Chandawimala Thero (1947) notes that the things that appear to be objects are nothing in themselves. We evidence them when other objects are present in an appropriate way. Chandawimala Thero gives a tower as an example of such an object or thing.

[A t]ower is an object of great height. If one analyses a tower, it will be seen to consist of stones and cement. If stones and cement are separated, there would be a heap of stones and a heap of cement. So, the tower disappears. The reason for the disappearance of the tower is that apart from stones and cement there isn't a thing called the “tower”. If stones and cement are assembled in order that they rise, again

the tower would surely appear and, subsequently, if you separate the stones and cement, as earlier, the tower would undoubtedly disappear (1947, p. 33).

A chariot is another metaphor stated in Questions of King Milinda² (2003, pp. 43-44) to explain the concept of *anatta*. Nāgasena Thero asks the King,

Is it the wheels, or the framework, or the ropes, or the yoke, or the spokes of the wheels, or the goad, that are chariot?...is it all these parts of it that are the chariot?...is there anything outside them that is the chariot?

The King's answer is,

It is on account of its having all these things—the pole, and the axle, the wheels, and the framework, the ropes, the yoke, the spokes, and the goad—that it comes under the generally understood term, the designation in common use, of “chariot”.

Thus, Nāgasena Thero uses the analogy of a chariot to explain that there is no permanent individuality that can be known by a name, rather it is only a generally understood term or a designation in common use. Similarly, as I discuss in this study, there is no permanent entity called Sri Lanka Telecom, rather the terms I use, such as the Ceylon Telegraph Department, Sri Lanka Telecommunications Department, Sri Lanka Telecom Corporation or Sri Lanka Telecom, for the entities that I constructed are designations in common use.

Thus, De Silva (2005, p. 1) presents a different approach to existence, which he calls “constructive relativism”, based on Buddhist concepts, “where the world an observer ‘sees’ is created by the observer.” Realities that appear to exist are constructions of individuals and do not exist independent of the observer. Each person's constructions differ from those of others, if only in minor respects.

Furthermore, an individual will perceive changes of what he constructed or observed that will be different from another person's construction, again if only in minor respects. Making up for their “*avidya*” (\approx ignorance) of *aniccata* (\approx impermanence), each observer views various things as static, and others as changing among the constructions they refer to as Sri Lanka

² *Questions of King Milinda* is “a famous work of Buddhist literature, probably compiled in the first century B.C. It presents Buddhist doctrine in a very attractive and memorable form as a dialogue between a Bactrian Greek king, Milinda, and a Buddhist sage, Nāgasena” (Bhikkhu Pesala, 2001, p.3). The King poses questions on Buddhism, religion, and existence and Nāgasena Thero responds with either a tale about the Buddha in some previous life, or an analogy.

Telecom. Thus, we cannot study the change of an object that is independent of individuals or the researcher. Instead, what we can try to study are individuals' constructions of circumstances or situations, how these constructions differ among individuals, and how these circumstances change among these individuals. Hence, researchers should not study changes to an organisation that they refer to as Sri Lanka Telecom and that exists independent of the observer. The same applies to the accounting practices that each observer associates with Sri Lanka Telecom, or their constructions of it.

Impermanence can be applied to understand the nature of constructions (i.e., things that we construct). Impermanence helps in studying change as a dynamic process, rather than as comparative statics. In other words, in contrast to studying properties of predetermined discrete realities existing independent of the observers (e.g., studying accounting practices of the Department, the Corporation and the Company in the case of Sri Lanka Telecom), I attempt to explore the impermanence of Sri Lanka Telecom and its accounting practices. In doing so, I consider how various observers have perceived the impermanence of Sri Lanka Telecom and its accounting practices, and constructed different realities. These constructions can be used to illustrate why various individuals perceive changes in accounting practices differently. Thus, I am going to explain change as a construction of events; and what individuals perceive as change is the change of what they constructed. This is elaborated in Chapter Four.

Further to my contention that there is no world existing outside of an individual, I argue that the world is constructed by individuals with the process of cognition arising from the contact of sense organs (eye, ear, nose, tongue, body and mind) and external sense objects (visible forms, sound, odour, flavours, touch and mental objects). Knowledge created about the world is subject to the consciousness of the people creating the knowledge rather than being created independently from an individual. Therefore, knowledge is relative to individuals and it is a process of assigning different interpretations to events, and so the concept of an objective knowledge is rejected (De Silva, 1999).

It then follows that since there is no real objective world to be understood, knowledge created about the world is subject to the consciousness of the people creating knowledge. No one can ever achieve an "absolute truth". Knowledge is a creation and not a discovery or something to be found (De Silva, 2006). For example, once I observed that a two-year-old child referred to a "Papadam", a South Asian crispy food, as a "biscuit". It may be that by that age he had the

concept of biscuits and he used that term for whatever looked like and could be eaten like a biscuit. Similarly, we too create concepts and assign knowledge to the world subject to our sense organs. Thus, we can see that knowledge is a construction of individuals subject to their perceptions.

My explanation of how knowledge is constructed by individuals can be applied in order to understand how different individuals perceive Sri Lanka Telecom and its accounting practices at various points in time, including how they attach various properties and meanings to the organisation and its practices. Since informants, by nature, perceived Sri Lanka Telecom and its accounting practices according to their interests, experiences and priorities, the knowledge and meanings they attached to the organisation and its accounting practices were different. This assumption about knowledge helped me to understand how and why different informants constructed knowledge about the organisation and its accounting practices using various attributes and combined them differently.

Further, these arguments explain why there are various theoretical interpretations of change in organisations and accounting practices. As will be explained in Chapter Three, researchers from different schools understand changes in organisations and accounting practices relative to how they perceive the world and construct knowledge about change, subject to their beliefs. According to my assumptions, the knowledge about changes in Sri Lanka Telecom and its accounting practices are not independent of the observers or the researcher.

A further phenomenon I have observed while conducting this study is that human behaviour is subject to economic, political and cultural changes in a given context. In turn economic, political and cultural conditions are constructed and influenced by human behaviour. The same principle applies to the “behaviour” of organisations (which are made up of many human beings), which should be understood in the light of their economic, political and cultural contexts. For example, two individuals from different organisations may respond to a similar situation in a different manner as their behaviour is constrained by their knowledge, past experiences, culture, religion and priorities. Similarly, a past behaviour occurring at one place will not necessarily happen at another place under similar conditions. On the other hand, two individuals might behave in a similar manner under different circumstances for different reasons. Reasons for these differences in human behaviour can be understood in terms of the assumptions explained before. Individuals construct entities subject to how they perceive impermanence and perceive change subject to what they have constructed. Accordingly,

behaviours of different individuals vary, depending on what they constructed and perceived. My assumptions about human behaviour helped me to understand why different individuals had different opinions and responded differently to changes in Sri Lanka Telecom and its accounting practices.

I made the assumption that human behaviour is subject to the context of a given situation and how they perceive it. This helped me to understand the complex nature of the context in which Sri Lanka Telecom is operating, and why its accounting practices have been changing. The evidence gathered about the context and accounting practices of Sri Lanka Telecom enabled me to illustrate how different individuals perceived and thus constructed their knowledge of the influence of many contextual factors in the introduction of and changes to accounting practices, and how such changes in accounting practices have led to changes in the context in which the organisation is operating.

I apply the aforementioned views about the world, knowledge and human behaviour in developing the concepts explained in Chapter Four.

2.2. Research methods

The research method I use follows on from the above contentions about ontology, epistemology and human nature. I applied a deep insight into human behaviour in order to explain the complex nature of social phenomena that most of the literature refers to as “change” but that I am arguing is “impermanence”. I decided that the method I should adopt be predominantly qualitative.

Before and while collecting field evidence, I reviewed current literature on accounting change in order to be familiar with the underlying assumptions of previous studies, the various research methods they applied and their limitations. Knowledge about existing literature is important in order to understand issues that arise from the methodological assumptions that those studies are based upon; and thus, to understand the difference between those assumptions and my methodological assumptions. Collection of evidence alongside searching and reviewing the literature of studies on accounting change helped me to reflect upon the evidence I collected, and to analyse and interpret the issues, events, circumstances and other aspects that I discerned in this evidence. Through this process, I was increasingly convinced that the existing literature has various inadequacies in its means of explaining these same issues, events and circumstances. At the same time, the process led me to seek better

explanations, and eventually to revise my methodological assumptions as outlined in Section 2.1. The literature I reviewed on accounting change is presented in Chapter Three and the framework I developed using my methodological assumptions is presented in Chapter Four.

In order to work within the resource constraints I was faced with, I decided to focus on one organisation and treat it as a longitudinal case study. Chetty (1996), Scapens (2006) and Davila and Oyon (2008) promote the need for longitudinal case studies to explain diversity of observed practices. They claim that such studies have more practical relevance compared to studies that attempt to prescribe generalised optimal practices.

According to Scapens (2006), the major strength of case studies, compared to quantitative methods, is identification of unique factors relating to a specific organisation and the complexity of their interrelationships. Davila and Foster (2005) and Modell (2005) claim that the case study method is convincing in explaining unique contexts and inconsistencies. Davila and Foster, Davila and Oyon (2008) and Parker (2012) elaborate the importance and the contribution of case-based research to the field of management accounting, and to society and organisations. Parker claims that the greater potential in case study research for understanding of the “organisational actors and their worlds” (p. 57) supports development of new concepts. Even though the aforementioned claims are regarded as strengths of conventional case studies, I found that studying the accounting practices of one selected organisation (what people perceive as a legal entity) can also enable illustration of the impermanence of accounting practices. Limiting my study to one particular organisation enabled me to establish how various observers construct their own realities of an organisation and accounting practices associated with it, and perceive accounting practices differently. Accordingly, I chose a case study as the most appropriate method to investigate the impermanent nature of organisations and accounting practices.

My case study organisation, Sri Lanka Telecom, has been operating for more than 150 years. Not only was it the first telecommunications operator in Sri Lanka but also it is still the leading telecommunications organisation in Sri Lanka. I studied records of accounting practices at Sri Lanka Telecom since its official names came into use, intent on obtaining a deeper understanding about these practices now and in the past, and identifying specific and unique settings of the organisation and its accounting practices. I had prior knowledge, as I had carried out research at Sri Lanka Telecom in 2005/06. I had contacts who could enable me to access the organisation and help in arranging interviews.

My prior knowledge of Sri Lanka Telecom led me to believe that it was suitable for the purpose of my research about accounting change. As I became increasingly immersed in the study and realised the significance of not only its recent history but its entire life, I delved further back in time and into impermanence rather than only “changes”. Ultimately, I studied the entire history of the legal entity currently known as Sri Lanka Telecom and examined accounting practices, perceiving how impermanent they have been. This impermanence also characterises the context in which the organisation has been operating and how the organisation has operated, and how it operates now.

Indeed, throughout the life of the organisation, Sri Lanka Telecom seems to have been impermanent on virtually every front, including ownership, nature of products and services provided, the technology used, nature of management and accounting practices. Further, it has been impermanent in terms of the telecommunications industry of Sri Lanka; economic, political and social policies of the country; and, most importantly, in terms of trends and innovations of global technology and telecommunications industries. Therefore, I expected I could consider impermanence on all these fronts from the inception of Sri Lanka Telecom as the Ceylon Telegraph Department; and, by giving accounting practices particular attention, I should be able to provide new insights into the complex behaviours in the organisation from an accounting perspective (Chetty, 1996).

Chetty (1996) claims that collecting evidence from a variety of sources, including documentation, archival records, interviews, direct observation, participant-observation and physical artefacts, enables the investigator to address a broader range of historical, attitudinal and observational issues than would be possible in, for example, survey research alone. In this study particular attention is paid to informants having a range of perspectives on the nature, circumstances and events of what they all referred to as Sri Lanka Telecom. Thus, it was important to collect information about informants’ perspectives as well as historical information about the organisation and details of its accounting practices over the years. From this evidence I am able to compare their perspectives, including showing how informants’ knowledge of the past differs from documented sources about that past. Further, I had to refer to different information sources to collect evidence about different aspects of the context of the organisation. Accordingly, I collected historical evidence and current information about Sri Lanka Telecom and its context from a variety of sources to obtain different perspectives.

Initially, informal discussions with current and past employees of Sri Lanka Telecom elicited background information from different perspectives. I also conducted a few interviews at another telecommunication operator to make an outline comparison of accounting practices and the related circumstances of the two companies, and to obtain some understanding of reasons for different applications of accounting practices. I also reviewed extant academic literature on telecommunications industries, although I found only four studies of accounting practices in telecommunications industries. These studies are of four different countries, including Sri Lanka, and all focus on consequences for accounting from recent global trends of liberalisation of telecommunications industries. I considered that there might be industry-specific criteria, global trends and commonalities in the practice of accounting in the telecommunications industry, but realised these do not feature much in these studies. However, looking at the literature outside accounting, there seems to be a universal pattern to the development of global telecommunications and this pattern is relevant to understanding Sri Lanka Telecommunications. These initial data and the reviews are incorporated into Chapter Five.

The primary source of the knowledge constructed about the present circumstances of Sri Lanka Telecom and its recent past, and about the present industry and its current accounting practices, comprised interviews with the employees of Sri Lanka Telecom. Interviews were used to uncover the complex interrelated contextual factors that affect accounting practices and the organisation. Further, interviews were used to obtain historical evidence from the informants' perspectives, to help reconstruct events and to gain an understanding of how particular series of events were inter-related, how they have been constructed and understood by the participants, and how they have influenced the current situation.

Alongside conducting interviews at Sri Lanka Telecom, I was able to observe the natural behaviour of informants and other employees carrying out their everyday tasks in their work setting. This gave further insights into Sri Lanka Telecom culture and the relationships among employees. By building up close contacts with employees, I obtained greater understanding of employees' different behaviours, including, for example, how employees perceived changes made to systems and constructed their knowledge accordingly.

The empirical materials were gathered from Sri Lanka Telecom in two rounds of visits. The first round was from December 2009 to February 2010. Twenty-three interviews were conducted during this first round. I obtained names of my first few informants through my

previous contacts in Sri Lanka Telecom. Thereafter, interviews were conducted with employees who were suggested by previous informants. These interviews provided an overview of Sri Lanka Telecom and the industry and context, as well as perceived changes in accounting practices. At the same time, I visited the Department of National Archives and the National Library and Documentation Board to gather information about Sri Lanka Telecom and its accounting practices from bygone years. I found that documents of various kinds have accumulated since the establishment of Sri Lanka Telecom in 1857. These proved a valuable source of empirical material. They include internal Administration Reports³, Ceylon Blue Books, Sessional Papers and publications of Sri Lanka Telecom, and external materials, which I was able to supplement during the study. Fuller details are given in Section 2.2.3.

From these materials, I developed a greater understanding of the context of the study, including the nature of the industry; the history, context and evolution of the organisation; the nature of its operations, and the types of business, administrative and controlling procedures in use; and the application of accounting practices. I analysed these preliminary empirical materials by putting the information they yielded into chronological order. This provided me with a better understanding about the past as a chain of interrelated events and how the present position was reached. These included that Sri Lanka Telecom had gone through the name changes reported earlier, namely Ceylon Telegraph Department (1857-1940), Posts and Telecommunications Department (1940-1980), Telecommunications Department (1980-1991), Sri Lanka Telecom Corporation (1991-1996) and Sri Lanka Telecom (1996 to date). I used this analysis to identify information gaps and determine other important aspects to be covered in the second round. The analysis also prompted me to look more at the historical documents mentioned above and similar ones.

The second round of visits was from December 2010 to February 2011. The 31 interviews conducted during this round were mainly focused on filling the aforementioned information gaps, including gathering more information about accounting practices during the Department period and during the Sri Lanka Telecom Corporation period. I made a special effort to interview those senior employees who had been working at Sri Lanka Telecom since it was a Government Department, and so who I expected would have a detailed knowledge about government accounting practices. Most of the senior staff interviewed had been working for

³ The Administration Reports referred to are listed in Appendix 1, starting from “Administration Report ...” and “Report of the Auditor-General”.

about 20 years at Sri Lanka Telecom. They were able to make comparisons between the Department environment and the Sri Lanka Telecom environment.

In this second round I was also able to obtain information about the Marketing division, the Research and Development division, and the Investor Relations division; quality assurance programmes; and management accounting practices. In contrast to the first round, I was allowed to visit the library of Sri Lanka Telecom. As a result, I was able to collect some more historical evidence about Sri Lanka Telecom that could not be easily found elsewhere. I also revisited the Department of National Archives and the National Library and Documentation Board to gather more information, in particular using it to revise any possible misinterpretation of the initial empirical materials, to fill gaps and extend various lines of inquiry.

2.2.1. Format and context of interviews

Every person I approached to interview at Sri Lanka Telecom gave their fullest support in their participation in interviews. Its managers and employees seemed very interested in my research and other research studies about their activities. Some senior managers who I already knew, or became familiar with during the interviewing period, even helped arrange further interviews on my behalf.

As a condition of conducting interviews at Sri Lanka Telecom, I had to obtain permission from the Corporate Strategy division. All employees checked with me that this permission had been granted before their interviews, because they are bound by an agreement not to reveal any confidential and sensitive information to third parties. A further issue was that it was often difficult to make appointments with the top level employees: they were very busy because both interview periods were at the end of the year. Interviews were held with employees from different hierarchical levels of the organisation structure (see Figure 1) and different functional divisions and sections (see Figure 2) in that structure.

Initially I used an unstructured interview guide in interviews. Open-ended questions were posed during the interviews to obtain descriptive information, but also so as not to confine informants to giving short answers to standard, leading questions. This enabled new topics of discussion that I had not necessarily thought of, or become aware of, to be identified and explored. After a few interviews, I adjusted questions according to information gathered from previous interviews, and according to the nature of the job performed by each informant.

Extra questions were also posed to elicit information that I could use to compare with the answers given by earlier informants.

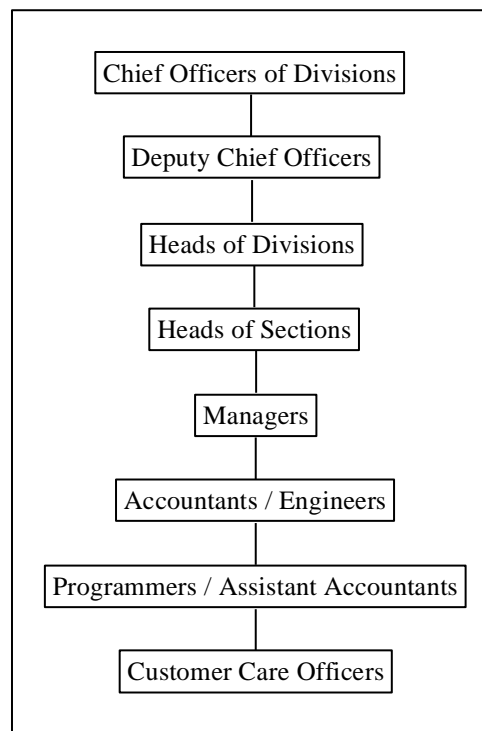


Figure 1: Participants According to the Hierarchy of Sri Lanka Telecom

All interviews took place at Sri Lanka Telecom premises, usually in informants' offices. Therefore, sometimes interviews were disturbed by telephone calls or urgent administrative tasks that the informants needed to attend to, but generally this was not a problem. In any case, these interruptions gave me an insight into how informants worked. I audio-recorded all but three interviews and took notes on important points while all the interviews were in process. Two top senior managers and an assistant accountant did not allow recording of their interviews. For these, I took comprehensive notes while they were explaining. At the end of each day, I transcribed the interviews and processed the notes. Some informants, especially some top managers, preferred to conduct the interviews in English. Even the informants who spoke in the Sinhalese language used English terms while explaining things, in part because they are educated in English but also due to a lack of or their non-familiarity with Sinhalese words for certain technical terms. Indeed, Sri Lanka Telecom uses the English language for documentation and for managerial meetings. Quotations from these interviews cited in this thesis show how often English words were used.

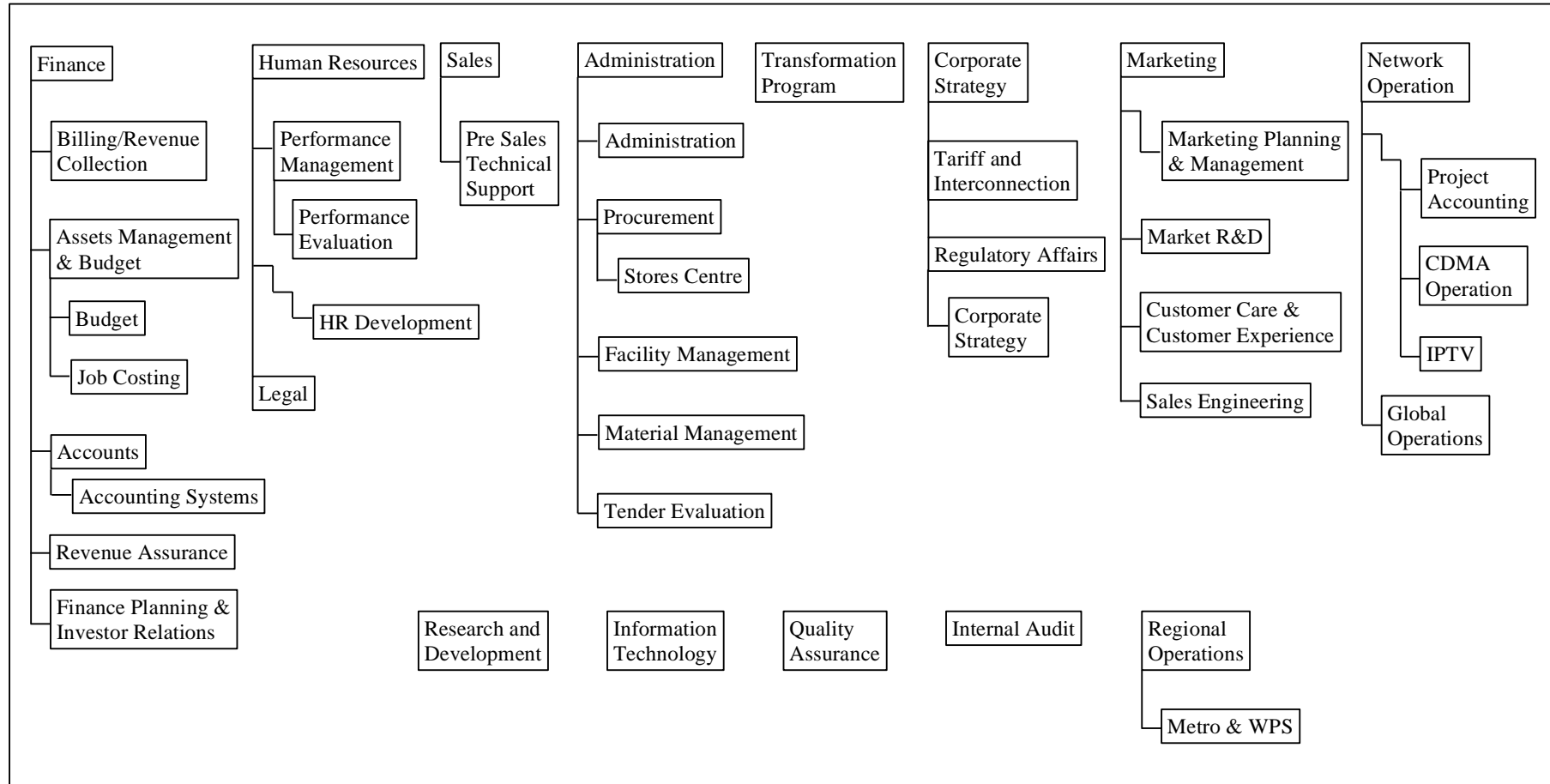


Figure 2: Participants According to Divisions of Sri Lanka Telecom⁴

⁴This diagram does not encompass the entire organisational structure, but rather emphasises the divisions in which interviews were carried out. The divisional structure changed slightly between the two interviewing periods.

2.2.2. Nature of empirical material obtained during interviews

The evidence obtained from interviews reflected the informants' expectations, the role they played in Sri Lanka Telecom and their personal attitudes. For example, I found that information about strategic decisions, and reasons for such decisions, were only known by the senior management. However, operational level employees were able to explain their perceptions of the success of plans and decisions implemented from the top level. The evidence gathered from informants from different divisions and levels of the organisation showed that each individual perceives changes in the organisation and its accounting practices differently. Of particular note is that the empirical materials were enriched by contradictory opinions, obtained on some matters from top level and operational level employees, respectively. For example, senior management had different opinions from members of the operational staff about the current performance evaluation system of Sri Lanka Telecom.

Collection of evidence through interviews had some limitations. Firstly, some informants, especially senior managers, deliberately did not disclose some information that they perceived as strategically important, as they are bound by company regulations not to reveal such information. Even though they provided their fullest support in participating in the interviews, sometimes they seemed reluctant to explain some operational processes in detail. However, I believe that lack of such strategically important forward-looking information has not prevented me from constructing my knowledge about past changes in accounting practices. Secondly, most of the operational staff members, and all staff who joined Sri Lanka Telecom recently, lacked knowledge about the circumstances and events of the organisation (relative to the knowledge that I constructed about Sri Lanka Telecom), aspects of the organisation outside their work area, past reasons for implementing different management accounting practices, and so on.

Most of the informants, except for those from among senior management, did not have knowledge about the accounting practices before privatisation. Only a few senior managers had been working at Sri Lanka Telecom since the 1980s. None of the others had much knowledge about accounting practices that far back. Therefore, some of the comparative information they provided was not comprehensive or, in some cases, was inconsistent with other evidence. For example, one informant said that the Sri Lanka Telecom started preparing commercial accounts only after privatisation. However, I found contrary evidence in annual

reports during the corporation period and from Administration Reports from 1935. Therefore, I carried out an extensive review of documents to gather information not found from interviews and to evaluate the unanimity of the information gathered from interviews.

Another source of variation of current employees' views from my other evidence was their views on the application of various accounting practices, both currently and in the past, which have been influenced by their personal experience and perspectives. For example, the positive comments about a performance evaluation system received from a senior management informant may be because the manager wanted to justify the new practices introduced after privatisation, as most of the senior managers supported the privatisation process.

By collecting empirical material from personnel from various levels of the management hierarchy and from different divisions, I was able to gather evidence about changes that may not have been perceived by a particular informant from another level or division. Moreover, I was able to see different perspectives on the same changes to a particular situation. Accordingly, I have been able to enrich the picture of circumstances and events, particularly where unanimity was lacking. Further, I obtained from other publications and documents information that could not be obtained from interviews, as explained next. These enabled me to see the context from different viewpoints. For example, newspaper articles during the reform period of the industry and the privatisation of the Corporation provided different views about the context.

2.2.3. Documentary evidence

The documentary evidence I mentioned above included archival reports; corporate documents, such as annual reports, sustainability reports, company regulations, newsletters and organisational charts; Central Bank reports; publications about the global telecommunications industry; journal articles; websites; newspaper articles; and reports of research firms. The body of documents I relied upon the most is given in Appendix 1: *List of Empirical Materials*. I reviewed these to obtain evidence about Sri Lanka Telecom and its context that could not be obtained easily from interviews.

Archival reports such as Administration Reports, Ceylon Blue Books and Sessional Reports were used to obtain evidence about Sri Lanka Telecom for earlier periods. These are available at the National Archives and contain information about the Department, its administrative and accounting practices, and other information about the country from the

1850s to the 1960s. Due to their number, I did not read all of these archival reports. I chose some at random and also referred to reports from years of special importance. For example, I read the Ceylon Blue Book in the year in which the Ceylon Telegraph Department was established, and Administration Reports during the First and Second World War periods to identify specific incidents and exceptions in the use of accounting practices. To obtain greater insight into how events taking place in one particular year linked with previous years' events, Administration Reports for a few consecutive years were reviewed.

I utilised the Sri Lanka Telecom website to gain an understanding about the present organisation, including its operations, the nature of the business and the services provided to customers. Restricted access to some important corporate documents was a limitation in obtaining empirical material. Sri Lanka Telecom was especially reluctant to part with evidence relevant to corporate strategies. I reviewed documents from other sources, such as press releases, newspaper articles, business magazines, documents issued by the stock exchange and government archives. These covered wider contextual aspects about the organisation. As well as using this document-based information in order to supplement the evidence obtained from interviews, I asked informants for their views on some issues reported in these documents, particularly in annual reports and print media.

Past newspapers and some publications about the global telecommunication industry and the telecommunication industry of Sri Lanka were reviewed from among the documents available at the National Library and Documentation Board. Newspaper articles and debates on the reform of the industry, and on privatisation of the organisation to form Sri Lanka Telecom, provided views of different people about the reform and privatisation process. Most of the newspaper articles supporting the industry liberalisation process were written by the Secretary to the Ministry, the Minister and other prominent proponents of the change. There were a few articles that criticised the reform process, written by representatives of trade unions and journalists, to express concerns about the negative implications for subscribers⁵ and employees.

Changes in the economic, political, social and technological environment of telecommunications both globally and locally that could not be found solely from interviews

⁵ In the publications that I referred to, people who receive services from the Department were called "subscribers" or the "general public" until the transformation in 1991. The term "customers" in a commercial sense started after the Department became a Corporation. Informants referred to them as "customers" without making any distinction between the two periods. I will use the term "subscribers" or the "general public" until 1991 and thereafter "customers" as appropriate.

were derived from books on the history and economy of Sri Lanka, publications by the Central Bank of Sri Lanka, websites, publications on world telecommunications and newspapers. Moreover, in-depth understanding about the global and local telecommunication industry, including trends and the evolution of technological aspects, were obtained from various publications mentioned previously.

In dealing with the above documents, I have been cognisant that they are subject to the interpretations and partiality of the authors. Thus, the evidence I obtained from these documents reflects the context of the organisation according to only one particular perception. For example, articles published by those newspapers that tended to support the party in Government also supported the reform of the industry and the privatisation of the Corporation, whereas articles in those newspapers that supported the Opposition party criticised the process. Even though so called personal and organisational biases involved in documentary sources are generally cited as a limitation in research, I understand that any source of evidence has limitations stemming from, among other things, preconceived ideas, furthering personal interests and indifferences. As I argue in this study, individuals construct knowledge subject to their individual perceptions. Thus, any evidence or knowledge about a particular circumstance, situation or event that appears to exist is partisan towards the observer's beliefs and purposes. For example, in the case of corporate documents, many are prepared for a specific purpose (e.g., a prospectus is prepared for a public share issue); and those that I reviewed may have been prepared to justify a specific objective of the organisation, according to management's interests and discretion. It was for such reasons that I attempted to obtain a wide range of evidence from other publicly available sources, such as the Department of National Archives, business magazines and the media. This evidence obtained from other sources also provided background information in relation to particular incidents. Through collecting evidence from a variety of sources, I was able to understand how various people perceived things differently: there was no intention to "triangulate" in order to arrive at an absolute or objective truth.

2.2.4. Processing and reporting empirical materials

Collecting empirical materials from the aforementioned multiple sources enables investigation of a broad range of historical and current attitudinal and observational issues (Klein & Myers, 1999). Information gathered from interview transcripts, documents and observations were reviewed in the expectation that I would identify the main themes. These

themes were not predetermined, rather they were derived from the evidence available to me, collected from the various sources mentioned above (see Ryan & Bernard, 2003). As discussed previously, constructions highlighted in the historical evidence I reviewed are derived from and subject to the perceptions of each author and to the context in which they studied or worked. Thus, if I had confined my evidence to only those historical or record-based themes, I would not have been able to identify themes reported in this thesis that are specific to Sri Lanka Telecom. The information was put into chronological order according to the identified themes. At the same time, those materials were summarised in a spreadsheet using MS Excel. The spreadsheet was the basis of the tabulated data in Chapters Five and Six. This summary helped me to review the information gathered and show the cross linkages between various aspects and among different events. It also helped me to clarify and construct similarities and differences in accounting practices over the lifetime of Sri Lanka Telecom, together with the impermanent context in which it has been operating. I referred back to the initial interview transcripts to ensure that important items were not missed.

While reviewing and summarising the empirical materials, I realised that their content was not straightforward and, in some cases, it was impossible to separate the content clearly into different themes and periods. A common occurrence was that consequences of a particular event are linked with many other aspects (e.g., the economic, political, social and cultural environment of the country, the accounting profession of Sri Lanka, the telecommunications industry of Sri Lanka, global telecommunications industry) over many years. This gave rise to various challenges in processing materials, and reporting results.

While analysing the empirical evidence, one of my main concerns was how to present the material in a way that could be understood by the reader. First, I tried to present the materials about the context of the organisation in a chronological order without separating them under different themes. This was in order that the reader would gain an understanding about how each aspect of the context is interrelated and how change in one aspect could be perceived in terms of a change in another aspect. However, I found that such a complex presentation of empirical material would not highlight the important events that I observed in different aspects of the organisation's context. Even though I am familiar with the context in which the organisation is operating, the readers of this study may not be that familiar with it. Therefore, I decided that presentation of the empirical materials according to different aspects of change

in a chronological order would be most beneficial to the reader's understanding of the organisation's context.

As such, I have presented the material under different themes, highlighting the significant events in a chronological order. This presentation is done in Chapter Five. However, having taken that approach in that chapter, I present changes perceived in accounting practices in Chapter Six by integrating the context evidence presented in Chapter Five where relevant. This approach enables me to show how changes perceived in accounting practices can be interpreted in terms of changes perceived in different aspects in the context of the organisation. This presentation also provides support for the discussion in Chapter Seven regarding the shortcomings and inadequacies in identifying only one or a few factors as the sole cause(s) of change.

Another matter that arose while collecting evidence and processing it was separation of financial accounting practices and management accounting practices. The initial rough notion of the study was to explain change in management accounting practices of the organisation. However, it quickly became clear that making distinctions between the organisation's financial accounting practices and its management accounting practices was not possible, and to proceed in that fashion would have been contrived and not representative of situated practices. The information reported to London during the British colonial period was derived from management accounting information, and financial accounting information has been produced throughout the life of the organisation. In 2010, even though Sri Lanka Telecom did not maintain a separate management accounting section, I perceived that Sri Lanka Telecom still generated and used management accounting information. Thus, it is hard to differentiate between financial accounting and management accounting practices of the organisation.

Further, I began to recognise the interplay of changes in accounting practices of the organisation with its environment and other aspects in different time intervals. These include the aforementioned changes in administration of the country, technological changes in the telecommunications industry, changes in the ownership of Sri Lanka Telecom, changes in accounting practices of the organisation and changes in the nature of employees, all of which had been occurring at irregular intervals. Thus, it became clear to me that presentation of my constructed knowledge about the context under different themes would also help to highlight the change I discerned in each aspect. After gaining a thorough understanding about the

changes perceived at irregular intervals in the context, then I could construct knowledge about change in accounting practices by making links to those events and changes.

As mentioned previously, there are limitations to observations about past information. Thus, people perceive impermanence at intervals and know less about what has happened in the context in between those intervals. As I have collected information about various aspects of the context, and noticed that changes to different aspects occurred at varying intervals, when everything was synthesised, it was possible to construct more frequent observations of the context as a whole. Thus, to some extent, I was able to increase the clarity of links among events. This analysis helped me to explain how people construct their knowledge about change.

2.3. Summary

The matters covered in this chapter stem from the purpose of this study, which is to explain how we can perceive organisations and accounting practices as impermanent. My epistemological and ontological assumptions are based on the philosophy that all entities that appear to exist are constructions of individuals. There is no intrinsic existence independent of the observer. Individuals construct static entities owing to their inability to perceive the continuous change (impermanence) of “things”. Accordingly, individuals study change to what they have constructed as a static entity between given points in time. As the constructed static entities are subject to individuals’ knowledge, experiences and interests, they are perceived as different from one another. As these constructions are dependent on individuals, the properties of those static entities are also subject to what individuals construct. Accordingly, changes that individuals perceive are subjective.

It follows from this last assumption that human behaviour is subject to what individuals perceive as the world (that is, what they have constructed) and its changes. Accordingly, observations and bases of behaviour of one person are different from those of other people, even under similar circumstances. In essence, human behaviour is conditioned by people’s economic, cultural and social backgrounds. Thus, each individual’s behaviour is unique. Therefore, it is important to understand how individuals perceive the world from their own perspectives, and why they act differently.

According to my views about knowledge, the world and human behaviour, as explained at the beginning of the chapter, qualitative research was considered to be the best option. It has

enabled me to collect evidence from different perspectives about the context of the organisation. Interviews conducted at different levels of the organisational hierarchy and in different divisions helped me to understand how different individuals perceive changes and invoked different perspectives about the change. Study of archival documents allowed me to gather historical information that could not be gleaned from informants, owing to their particular knowledge, which seemed to me to be restricted, indifferent and dismissive about the past of the organisation and its context. However, I was cognisant that those documents were also the products of individuals, and so these comprised various perspectives as well, although they were committed to written rather than oral forms. Use of different methods, such as interviews, observations and document review, enabled me to reduce limitations in evidence collation.

Clarifying my assumptions about knowledge, the world (i.e., that there is no existing real world outside of me) and human behaviour is important, as I will contrast and compare them with underlying assumptions of other studies on change in accounting practices, and use my assumptions to identify the inadequacy of theories that those studies are based upon. The next chapter presents the literature that I found on change in accounting practices and considers limitations of those theories.

Chapter 3

Review of Organisational Change Theories in Accounting Studies

The purpose of this chapter is to clarify the key assumptions of various theories that purport to explain change in accounting practices; and to argue why these assumptions are at the root of the inadequacies in current theories. The approach suggested in this study aims to ameliorate such inadequacies. It is important to appreciate that broadly speaking accounting change studies as discussed in Section 3.2 are built upon organisational change theories. Thus, before discussing accounting change studies, in Section 3.1 I explain how some researchers have seen organisational change and different typologies of organisational change. In Section 3.2 I review their appearances in accounting studies. This review shows that accounting studies have been limited to only a few organisational change theories. In Section 3.3 I assess the appropriateness of some potential alternative approaches based upon similar methodological assumptions to mine but which have not been used in accounting change studies.

3.1. Theories of organisational change

Explaining how and why organisations change has been a continuing and significant research question for scholars in management and many other disciplines. Van de Ven and Poole (1995) found more than one million articles on “change” and “development” from many disciplines, including sociology, education, economics, biology, medicine, meteorology and geography. Their review demonstrates that management academics have used concepts, metaphors and theories from these disciplines to try to find new ways to explain and understand how organisations change.

3.1.1. What is organisational change?

This question may seem an obvious one to ask, and yet not many studies consider it, let alone address it deeply. Barnett and Carroll (1995) define organisational change as the transformation of a firm between two points in time. According to Fox-Wolfgramm et al. (1998) change is a movement away from the present state towards a future state, to increase efficiency and effectiveness of operations of an organisation. Van de Ven and Poole (1995, p. 512) define change as stages of development of a certain process, where they define process and change thus:

process [is] the progression ... of events in an organizational entity's existence over time. Change, one type of event, is an empirical observation of difference in form, quality, or state over time in an organization entity.

Of the extant theories of organisational change, most assume a static organisation to exist at one point in time and that the organisation is another entity at a second point in time. They then address the question of how can we link those points of time and explain how the second existence came into place. This is consistent with the claim of Quattrone and Hopper (2001) about contemporary theories following modernist views of organisational change as an "entity pass[ing] from one state to another—from one specific spatio-temporal domain to another" (p. 407). They note that this definition assigns specific attributes to "an entity" at a given point in time, and as the object of change pass from one state to another it gains and loses those attributes. Putting forward an alternative, Quattrone and Hopper note that, from the point of view of contextualism and socio-constructivism, change is a "process of institutionalisation through the adoption of rules, norms and routines" (p. 408). Despite this approach exhibiting some differences to most organisational change theories it still assumes a reality that is subject to change, as shown in the following review.

3.1.2. Typologies of organisational change theories

Given the volume of organisational change theories, it is useful to classify them before considering their relevance. Four papers which attempt such classifications are reported next. The first one I consider is Hatch (1997). He claims that theorists often justify the diversity of organisation theories and their multiple perspectives by pointing out the complexity of organisations. He illustrates the complexity of organisations by the Hindu folktale of the six blind men and the elephant. According to the story, each of the six blind men hold onto a different part of the elephant and develop a different understanding about the elephant. Likewise, he claims that organisational theorists investigate what is a large and complex phenomenon with perceptual equipment that handicaps them with respect to knowing their object of study in a holistic way.

Hatch's (1997) classification divides theories among modernists, symbolic-interpretivists and postmodernists. According to him, the modernists believe that there is an objective, physical reality that can be known and understood, and thus any understanding that someone might reach is merely a different view of the same knowable thing. In contrast, symbolic-

interpretivists and postmodernists take the approach that the world is subjectively constructed from our experiences, ideas and statements. As such, knowledge cannot be tested against any real world, as one such knowable world does not exist. Indeed, taking different perspectives precipitates the construction of complementary, conflicting, or contradictory diverse possibilities about the world (indeed, “the world” itself is open to interpretation). Ultimately, as Hatch claims, there is no assurance of greater and better knowledge arising from a particular form of research because there is no universal standard against which “greater” and “better” can be measured.

Reflecting the dichotomy alluded to by Hatch (1997), Barnett and Carroll (1995) divide theory and research on organisations into two major theoretical camps. First, there is the adaptational mechanism of organisational change, in which it is assumed that change in organisations occur mainly as consequential adaptive responses of existing organisations to change in external variables. For example, contingency theory, organisational life cycle theory, resource dependency theory and institutional theory fall into this camp. Secondly, there are those who believe that organisations cannot change easily and quickly. These are selection theorists. According to them, among other components, some organisations fail due to changes in the external environment, while some new organisations are established because of external environment factors (e.g., consumer demand in the case of business organisations). Theories such as evolutionary economics and organisational ecology fall into this category. Barnett and Carroll argue that, even though extensive research in both of these theoretical camps has been carried out during the past two decades, questions of sources and outcomes of change within organisations remained.

Works published contemporaneously by Van de Ven and Poole (1995) and later on by Kezar (2001) go some way to supplying answers to some of these questions. Van de Ven and Poole induced a typology that Weick and Quinn (1999) claim is one of the most comprehensive frameworks to explain organisational change. Van de Ven and Poole grouped the extant literature on organisational change into four main categories, namely, life-cycle, teleology, dialectics and evolution theories. They also identified four characteristics common to the four theories, namely: (1) *process is viewed as a cycle of change events*, which is (2) *governed by a “motor”* or generating mechanism that (3) *operates on a unit of analysis* and represents a (4) *mode of change*. They argue that,

as long as the entity undergoing change has a discrete identity, one can decompose the entity within a nested organizational hierarchy to examine its members or one can aggregate the entity into its larger system without losing any of the theory's explanatory power (Van de Ven and Poole, 1995, p. 522; emphasis added).

According to Van de Ven and Poole (1995), each theory assumes that change in organisations is driven by one aspect (e.g., internal environment, external environment, dialectical tensions). However, when researchers study change in organisations over a longer period, they observe that an organisation can change because of varying factors. For example, at one instant, change in the organisation may be due to external environment factors, whereas in the next instant internal factors inside the organisation may change, leading to further change in the organisation. Furthermore, if researchers assume that change occurs as a result of one dimension, they will not look for changes in other aspects that have caused change in the organisation. In the intervals between change points of the observed factor, other aspects of the organisation may not remain constant; that is, the organisation will not remain the same during an interval. Thus, we can see that the organisation does not have a static existence.

Van de Ven and Poole (1995) do note, however, that the observed change process in organisations is more complex than explained in the theories they classify, and that conditions might exist that cause interactions and interdependence. They cite Koput (1992) as stating that a dynamic model is one where the driving forces of change are a function of the same variables at an earlier time. Arising from this idea, they suggest that the development of nonlinear dynamic systems of organisational change may be produced by feedback loops among two or more simple drivers of change.

Building on Van de Ven and Poole (1995), Kezar (2001) shows that models of organisational change have their own assumptions about human behaviour. She claims that these models can be used to explain,

why change occurs (driving forces of change); how change will occur (the stages, scale, timing, and process characteristics); and what will occur (the content of change, outcomes and ways to measure it) (2001, p. 25).

Even though Kezar (2001) claims that these models can be used to explain the outcome of a given change in a particular aspect, we cannot assume that similar changes in one aspect would result in similar outcomes. For example, individuals can change their patterns of

behaviour depending on their past experiences. Conversely, a similar outcome may occur due to changes in different aspects of the organisation. For example, a change in the strategy of the organisation may require changes in accounting practices in one instance, while in another instance, a change in the strategy may not result in a change in accounting practices. This might be for reasons other than those explained by a particular model.

Kezar (2001) is critical of Van de Ven and Poole (1995) for only categorising functionalist approaches. Accordingly, she adds two additional classes to the classification presented by Van de Ven and Poole, namely, social-cognition and cultural approaches. Thus, Kezar's classification is significant not just for adding two theoretical types but also for categorising constructivist approaches. The classification of organisational theories by Kezar is presented in Table 1.

3.2. Organisational change theories in accounting studies

There is a vast number of theories and research projects that are based on organisational change theories and their applicability. However, the number found in accounting research is only a small proportion. Here I review the accounting studies, first giving an overview, and then grouping them using the classification in Table 1, summarising them, expanding on their attributes and application, and outlining their limitations. I also exemplify how organisational change theories are applied in explaining differences in application of accounting practices.

Accounting change research has mostly used such neo-classical approaches as teleological approaches (e.g., Gosselin, 1997; Innes & Mitchell, 1990; Malmi, 1999; Nassar et al., 2013) evolutionary approaches (contingency theory) (e.g., Abdel-Kader & Luther, 2008; Abernethy & Guthrie, 1994; Baines & Langfield-Smith, 2003; Chenhall, 2003; Dunk, 1992) and organisational life cycle approaches (e.g., Davila & Foster, 2005; Granlund & Taipaleenmaki, 2005; Jawahar & McLaughlin, 2001; Kallunki & Silvola, 2008; Moores & Yuen, 2001), as outlined in Sections 3.2.1, 3.2.2 and 3.2.3. However, these approaches have been abandoned by many researchers, especially in Europe. According to Quattrone and Hopper (2001), the researchers who have made this choice have realised the importance of socio-economic factors in explaining accounting change. Recently, institutional approaches have also been used (e.g., Burns & Baldvinsdottir, 2005; Burns & Scapens, 2000; Coad & Cullen, 2006; Dillard et al., 2004; Guerreiro et al., 2006; Scapens, 2006) (See Section 3.2.4).

Table 1: Classification by Kezar
(adapted from Kezar, 2001, pp. 57-58)

	<i>Teleological</i>	<i>Evolutionary</i>	<i>Organisational Life Cycle</i>	<i>Dialectical</i>	<i>Social Cognition</i>	<i>Cultural</i>
Why change occurs	Leaders; internal environment	External environment	Leaders guiding individual's natural growth	Dialectical tension of values, norms, or patterns	Cognitive dissonance; appropriateness	Response to alteration in human environment
Process of change	Rational; linear; purposeful	Adaption; slow; gradual; non-intentional	Natural progression; result of training and motivation; altering habits and identity	First order followed by occasional second order; negotiation and power	Learning; altering paradigms or lens; interconnected and complex	Long-term; slow; symbolic process; nonlinear; unpredictable
Key metaphor	Change master	Self-producing organism	Teacher	Social movement	Brain	Social movement
Outcomes of change	New structures and organising principles	New structures and processes; first order	New organisational identity	New organisational ideology	New frame of mind	New culture
Examples	Organisational development, strategic planning; reengineering; TQM	Resource dependency; contingency theory; strategic choice; population ecology	Developmental models; organisational decline; social psychology of change	Empowerment; bargaining; political change; Marxist theory	Single-and double-loop learning; paradigm-shifting; sense making	Interpretive strategy; paradigm shifting; processual change
Pioneers ⁶	G. H. Mead (1863-1931) M. Weber (1864-1920) H. A. Simon (1916-2001)	J. Lamarck (1774-1829) C. R. Darwin (1809-1882) J. G. Mendel (1822-1884)	A. Comte (1798-1857) H. Spencer (1820-1903) J. Piaget (1896-1980)	G. W. F. Hegel (1770-1831) K. Marx (1818-1883) S. Freud (1856-1939)	N. E. Miller (1909-2002) J. Dollard (1900-1980) A. Bandura (1925 -)	C. Geertz (1926-2006)
Focus	Importance of change agents; management techniques and strategies	Environmental emphasis; systems approach	Change related to phases; temporal aspect; focus on people throughout the organisation	Change not always progressive; irrationality; role of power	Emphasises socially constructed nature; emphasises individuals; habits and attitudes as barriers	Context; irrationality; values and beliefs; complexity; multiple levels of change
Criticisms	Overly rational and linear; inability to explain second order change; plasticity of people	Lack of human emphasis; deterministic quality	Little empirical proof; deterministic character	Deterministic; lack of environmental concerns; little guidance for leaders	Deemphasises environment; overemphasises ease of change; ignores values and emotions	Impractical to guide leaders; focus on universalistic culture; mostly untested

⁶ The pioneers in Teleological, Evolutionary, Life Cycle and Dialectical approaches are adapted from Van de Ven and Poole (1995, p. 514). Pioneers in Social Cognition and Cultural approaches are adapted from Engler (2009), Cherry (2012) and Weintraub (2006).

The approaches that are popular in accounting research share characteristics with dialectical, social cognition and cultural approaches of Kezar's (2001) model to a certain extent. Consequently, studies that use institutional theory, dialectical approaches, social cognition approaches and cultural approaches are discussed together in Section 3.2.5.

3.2.1. Teleological approach

The main assumption of a teleological approach is that change is driven by internal factors of an organisation as it strives towards attaining its goals (Malmi, 1999). Studies that follow this approach assume that organisations are purposeful and adaptive; that is, change is rational and linear (Carnall, 1995). Accounting researchers who adopt a teleological approach (e.g., Anderson & Young, 1999; Foster & Swenson, 1997; Gosselin, 1997; Innes & Mitchell, 1990; Nassar et al., 2013) have argued various internal organisational factors to be the cause of change in accounting practices. For instance, Innes and Mitchell found production technology, organisational structure, a deteriorating financial performance, product cost structure and management influence as driving factors for introducing new accounting practices; and Nassar et al. attribute introductions of activity-based costing to the increased proportion of overhead cost and increased number of product variants in organisations.

However, as I argue in this study, reasons for change in accounting practices may vary in different contexts and in how the observer perceives the change. For example, Gosselin claims organisations that adopt a prospector strategy have a tendency to follow activity management practices, whereas Malmi finds no relationship between cost leadership strategy and adoption of activity-based costing. These apparent anomalies might arise from other factors that are ignored by studies that follow a teleological approach. Indeed, Malmi claims that the underlying assumption of this approach ignores the impact of the forces that are external to the organisation. Because of this limitation of teleological approaches, many researchers of accounting change have turned away from them in favour of contemporary approaches such as evolutionary, dialectical and cultural approaches.

3.2.2. Evolutionary approaches

The key assumption of theories taking an evolutionary approach is that change is dependent on the complex circumstances and environment of organisations, giving rise to complex systems that change over time naturally (Morgan, 1986). The change suggested in this approach is deterministic in nature; that is, people have less influence on the nature and

direction of the change process (Hrebiniak & Joyce, 1985).

Most of the models underpinning the theories in this category are derived mathematically. Accordingly, these theories assume that the outcome of the change and behaviour of individuals can be generalised and predicted. A significant limitation of deriving theories using mathematical models is that they assume an objective reality that is independent of the observer. That is, each observer can and does perceive an organisation and its change similarly. However, as mentioned previously, the outcome and direction of the change process cannot be predicted. People may change their behaviour based on their past experiences. Even within the same organisation, behaviour of different people may vary. Thus, the change process is more complex than can be explained by taking this approach.

Theories taking an evolutionary approach are criticised for their lack of ability to explain the complex nature of organisational change (Kezar, 2001). This is because of the ascendancy of mathematics in the models, rather than recognising qualitative aspects and the complexity of human behaviour. In particular, the approach does not accommodate assumptions about human psychology, organisational behaviour and society (Collins, 1998). It does not consider human creativity and strategic choice as important; and it over-emphasises the deterministic nature of organisations and the impact of the environment (Kezar). It ignores important indirect and informal variables, and disregards the complexity of organisational life by only paying attention to a few selected internal and external environmental factors (Burns, 1996, as cited by Kezar).

Kezar (2001) claims that these limitations constrain the explanatory power of the model. These criticisms are illustrated in the brief outlines below of some of the major theories that come under the evolutionary approach.

Evolutionary theory

Applying the definition of Darwin's theory of human evolution to social systems, Hodgson and Knudsen (2006) claim that evolutionary theory involves the three Darwinian principles: variation (how variety occurs), inheritance (how adaptive solutions are copied and passed on) and selection (gradual adaption in response to an environmental factor). Here, both continuity and change are seen as evolutionary outcomes.

As to its occurrence in the literature, Johansson and Siverbo (2009) note that evolutionary theory has rarely been used in social science to explain organisational change, because it has been assumed that the biological approach of the theory would prevent the researcher from viewing the social world broadly. According to them, biological evolution should only be one guide to evolutionary theory in social sciences, whereas economic evolution plays a significant role in analysing social systems. They mention that the full potential of evolutionary theory has not yet been used in management accounting research. Their claim is that basing research on management accounting change on a Universal Darwinism perspective, with necessary modifications, will improve and expand the conceptualisation and the understanding of management accounting change. They argue that it does not just explain small, gradual and slow changes, but also it explains management accounting change as an interaction between the evolutionary sub-processes of retention (inheritance), variation and selection. However, they too assume the observed change is independent of observers. According to them, change in accounting practices occur as a result of causes that are external to the observer, and every observer can perceive the nature of change (whether it is small, gradual or slow) similarly.

Other evolutionary studies

Even though Quattrone and Hopper (2001) do not specify a name for the approach that they followed in studying changes to accounting practices, their studies seem to fit with evolutionary theory. They note that studies on inputs and outputs of accounting change are often confined to defining boundaries “such as *in* versus *out*, *external* versus *internal*, *organisation* versus *context*” (p. 429). They present how the notions of “drift” in processes and an “a-centred organisation” can be used in explaining change in organisations and accounting practices, as an alternative to the orthodox modernist conceptions of knowledge, action and rationality.

Quattrone and Hopper (2001) also claim that accounting change should be viewed as a change process within a context of dynamic and evolutionary fabrication of knowledge. They argue that accounting knowledge should consider as “co-production of different points of view across multiple organisation worlds, times and spaces, rather than a static and centred performance measurement activity for predetermined ends” (p. 430). This view acknowledges that accounting is a construction of individuals in their own organisational worlds.

Briers and Chua (2001) used actor-network theory to explain change in accounting practices. Their study can also be classified under the evolutionary approaches to accounting. They illustrate the influence of heterogeneous actor-networks in changing accounting activities of an organisation. They show that accounting change is the outcome of interconnection between local and diverse networks of actors and actants.

A major assumption underpinning the above applications of evolutionary theory is that organisations evolve in a similar manner. However, as previously mentioned, humans are involved in the evolution of organisations. People act according to their past experiences, knowledge and emotions, which make one individual different from another. Accordingly, everyone's perceptions are different. This complex nature of human behaviour cannot be explained merely using biological analogies.

Contingency theory

According to Donaldson (2001), contingency theory has been widely used in explaining change in organisations theoretically. Contingency theory explains how organisations attempt to make necessary changes to their existing organisational characteristics; to adopt new characteristics in order to stay aligned with new levels of contingencies; and to keep the performance levels of an organisation high.

The use of contingency theory in accounting research forms a substantial strand in the literature, dating from at least the late 1960s. It has been particularly popular in management accounting. Various studies bring in organisational features such as the size, technology and strategy of firms. Examples of earlier works are Abernethy and Guthrie (1994), Brownell and Hirst (1986), Chenhall and Morris (1986), Dunk (1992), Gordon and Miller (1976), Hayes (1977) and Hofstede (1967). These works have been built on in the past 15 years as elaborated in the following paragraphs.

Abdel-Kader and Luther (2008) find that adoption of different management accounting practices by organisations can be explained by environmental uncertainty, customer power, decentralisation, size and uses of advanced manufacturing technologies. They note that firms whose managerial structures are highly delegated may need more sophisticated management accounting practices, with enhanced relevant information to enable the planning, controlling and decision making for which they are responsible.

Abdel-Kader and Luther (2008), Baines and Langfield-Smith (2003) and Callahan and Gabriel (1998) find greater use of advanced management accounting practices, such as quality improvement programmes, benchmarking and activity-based management, in firms that place a strong emphasis on product differentiation strategies. These advanced practices result in high performance, as they assist employees to focus more easily on achieving differentiation priorities, such as quality, delivery and customer service, compared to more traditional financially-based accounting practices.

Recently, researchers have focused on the relationship between the application of advanced manufacturing technologies and the use of management accounting practices. Abdel-Kader and Luther (2008) find a positive association between the degree of automation in the manufacturing process and the formality of budget systems. They note that organisations that use advanced manufacturing technologies need a multidimensional performance measurement system to provide information to managers in the decision making process. However, writing earlier, Baines and Langfield-Smith (2003) conclude that an increased use of advanced manufacturing technology does not result in an increased use of advanced management accounting practices. In other words, Abdel-Kader and Luther claim that firms that use advanced manufacturing technologies require complex management accounting practices; Baines and Langfield-Smith claim it is not the case. Thus, these two studies provide contradictory results, and we should ask why.

I contend that conclusions about change in accounting practices based on only one or a few aspects of change in the organisation do not provide reasonable explanations of change, as we are ignoring the presence and possible impact of the unspecifiable and incalculable number of other factors in the context of the organisation. This wide range of possibilities is implied by Chenhall (2003). He notes that large organisations with sophisticated technologies, high diversity and more decentralised structures are associated with orthodox management control systems, with greater formality and highly developed process controls.

Chenhall (2003) also discusses that when management control systems focus on tight financial controls in an uncertain environment, they will be used together, with an emphasis put on flexible and interpersonal interaction. Moreover, he identifies national culture as an element of context when dealing with designing of management control systems in multinational companies. He concludes that management control systems are more open and externally focused when the external environment is uncertain.

From the above, we can see that different researchers offer different drivers of change. For example, Abdel-Kader and Luther (2008) suggest that organisational structure and the use of advanced technologies result in the differences in the application of management accounting practices; whereas Abdel-Kader and Luther, Baines and Langfield-Smith (2003) and Callahan and Gabriel (1998) claim that organisational strategies determine the differences in application of accounting practices. However, even among the latter there are contradictions, such as those between the findings of Baines and Langfield-Smith and Chenhall (2003) and the evidence produced in support of Abdel-Kader and Luther's claims. Thus, as mentioned previously, reduction of causes of change to only one or a few reasons brings into question the applicability of the organisational change theories in question as means to explain change in accounting practices. It also raises the question of whether generalising from one context to another is appropriate; and the notion of whether a theory can be too "general".

Another line of criticism of contingency theory is pointed out by Donaldson (2001). He claims contingency variables merely identify the causes for changes, they do not elaborate the dynamic pattern of contingencies. Similarly, McGrath (2006) notes that the existing research using contingency theory de-emphasises the idea of clear-cut connections between structural attributes within an organisation, its boundaries and the environment in which it must function. She explains that four concepts, namely, complementarity (interdependencies between organisational elements), equifinality (more than one way to react in order to react the same end point), networks (extra-firm linkages) and co-evolution (organisations and environments co-evolving) challenge the existing premises of contingency theory. As McGrath asserts, the change process is more complex than as explained in contingency theory. A change in a given aspect does not always have linear effects for organisations. A change in one aspect will change other aspects of the organisation to varying degrees, and such changes in other aspects in the context again cause change in the initial aspect in order to adjust to the new environment. Likewise, change is an on-going process in every aspect of the organisation. Further, a similar change in a given aspect may have different effects on other aspects even in two seemingly similar situations. These complications are not explainable by contingency theory.

The use of contingency theory in accounting research has been subject to some criticism, particularly in relation to variable definition and measurement and reliance on traditional functionalist theories, rather than consideration of interpretative and critical work (Chenhall,

2003). Further, Abdel-Kader and Luther (2008) note that application of contingency theory prevents the researcher from exploring distinctive processes relating to the adoption of accounting techniques. This accords with the observation made by Baines and Langfield-Smith (2003), that empirical research in management accounting has primarily examined the various relationships between the environment, organisational variables and management accounting systems at a point in time, rather than over a period of time, as in this study. Having collected information from Sri Lanka Telecom that covers a period of more than 150 years, I found evidence of differing reasons for change in accounting practices at various points in time; and of Sri Lanka Telecom not changing its accounting practices in certain instances even though its context changes. Thus, these criticisms, essentially of method and perspective, are borne out. In contrast to contingency theory approaches, by examining changes in accounting practices and evidence of specific and unique instances of change in accounting practices, a more comprehensive explanation can be constructed.

Chenhall (2003) reaches this conclusion, too. In contrast to conventional contingency-based research, in which management control systems are perceived as passive tools, providing information to assist managers, approaches following a sociological orientation have perceived them as more active, furnishing individuals with power to achieve their objectives. In other words, application of contingency theory assumes that the past patterns or similar conditions in other organisations can be directly applied. However, the studies mentioned above show that the application of accounting practices varies under different circumstances.

In summary, the limitations identified and alternatives suggested by the contingency theorists are bounded by pre-conditions of reductionism and linear evolution over time and space. Studies using contingency theory attempt to identify accounting practices at a given point of time and observe the relationship between the selected variable and the accounting practice. They ignore why the same accounting practice is being used even under different circumstances, or why different accounting practices are used under similar circumstances. This is because the theory is limited to explaining change in terms of a few selected variables, whereas an organisation is subject to far more variables and exhibits far more complex behaviour than allowed for by these models. For example, given a change in a selected variable, implications for other variables are not considered in studies that use contingency theory. I notice that these limitations of contingency theory are also caused by the assumption

of existence of an organisation, the existence being independent of the behaviour of the stakeholders (Astley & Van de Ven, 1983; Simon, 1964).

3.2.3. Organisational life cycle approach

Similar to contingency theory, characteristics of reifying of organisations can be seen in the organisational life cycle approach. This approach sees change as a staged chronological progression of an organisation over its lifetime (Miller & Friesen, 1980). Thus, particular features are stages in the life cycle. The managerial implications of this are examined by Jawahar and McLaughlin (2001), Miller and Friesen (1984) and Kallunki and Silvola (2008). Essentially, they argue that as organisations move through various stages of growth, differing problems must be addressed, resulting in the need for different management skills, priorities and structural configurations. Review of the literature on organisational life cycles reveals that life cycle stages imply significant mutual dependencies among the context, strategy, structure, decision-making methods and other variables within a stage, while each stage exhibits certain significant differences from all other stages along these elements (Miller & Friesen, 1984; Auzair & Langfield-Smith, 2005; Hanks et al., 1993; Lester et al., 2003, Beverland & Lockshin, 2001).

The organisational life cycle model suggested by Miller and Friesen is the most commonly used approach in management accounting research (e.g., Kallunki & Silvola, 2008; Moores & Yuen, 2001; Silvola 2008b). Its stages comprise *birth*, *growth*, *maturity*, *revival* and *decline*. A more recent model is by Lester et al. (2003), whose stages comprise *existence*, *survival*, *success*, *renewal* and *decline*. In these and similar models, each stage of the organisational life cycle consists of a different configuration of variables that are related to the context and the structure of an organisation; and each stage exhibits certain significant differences from all other stages in respect to these elements. Some recent studies (Davila & Foster, 2005; Granlund & Taipaleenmaki, 2005; Kallunki & Silvola, 2008; Moores & Yuen, 2001 and Silvola, 2008a, 2008b) have suggested that differences among applications of management accounting practices can be explained in terms of organisational life cycle theory.

Davila and Foster (2005) state that the “right” application of management accounting systems is important for organisations in their early stages. They conclude that forward-looking management accounting systems, such as operating budgets and cash budgets, are likely to be adopted before financial monitoring components, such as variance analysis, operating

expense approval policies, capital expenditure approval policies, product profitability and customer acquisition costs. They further observe a positive association between the application of operating budgets and growth of early-stage companies.

Various other studies claim to reveal similar types of associations. For example, Moores and Yuen (2001) observe, when compared to other stages, more formal management accounting systems are used in the growth stage of the organisational life cycle in order to meet the requirements of more complex and diverse structures. In contrast, when firms move from maturity to revival, and from revival to decline stages, the importance of formal management accounting systems declines. Auzair and Langfield-Smith (2005) find that firms in the mature stage of the organisational life cycle place a greater emphasis on more bureaucratic management control systems than firms in the growth stage. Silvola's (2008b) study of 105 Finnish firms in all industries and organisational life cycle stages indicates that firms operating in the maturity stage apply more authoritarian budgeting processes than revival stage firms, in order to meet the requirements of venture capitalists for reliable information at the maturity stage. Kallunki and Silvola (2008) reveal that the use of activity-based costing is more common among firms in maturity and revival phases, as it focuses on cost-effectiveness and profitability.

Beverland and Lockshin (2001) and Hanks et al. (1993) contend that literature on organisational life cycles suggests that organisations evolve in a consistent and predictable manner. Moreover, Jawahar and McLaughlin (2001) claim that theory and research on organisational life cycles indicate that the behaviour of organisations can be predicted by means of organisational life cycle models.

Regarding criticisms of the organisational life cycle approach, the above studies show that in the organisational life cycle approach, researchers assume that stages in every organisation have similar characteristics, and that organisations apply similar types of accounting practices at each stage. However, even at similar stages of organisations' life cycles, organisations face different contexts and cannot be compared directly. Accordingly, reasons for application of varying accounting practices are probably different at each stage among different organisations. Thus, at best, mere comparison of stages of the organisational life cycle provides only a partial explanation of change in accounting practices.

This assumption of having similar attributes in each stage of the life cycle of organisations arises from the belief that organisations exist independent of participants and other observers. However, I am taking the position in this study of Sri Lanka Telecom that characteristics of a particular stage of an organisation vary with how it is perceived by its observers. Thus, even at a given point in time, different observers perceive the organisation differently and attach different attributes to the organisation. Therefore, we cannot identify attributes of a particular stage of an organisation independent of the observer. This questionable assumption that an organisation is independent of the observer underpins several of the following limitations raised by accounting researchers who have criticised the organisational life cycle approach.

Whilst contesting the findings of Beverland and Lockshin (2001) and Hanks et al. (1993), as referred to above, Lester and Parnell (2008) and Miller and Friesen (1984) question the validity of applying the biological concept of the life cycle; that is of depicting organisations as being “born”, growing to one size or another and eventually “dying”. They point out that some organisations renew themselves and move backwards from renewal to maturity or escape the paralysis of decline by re-entering the growth, maturity, or renewal stages. Indeed, Lester et al. (2003) highlight the poor correlation of age and stage of development, asserting that stages of development have no prescribed length of time, as some stages are passed through rapidly and some are prolonged, depending on the nature of the industry.

According to Lester and Parnell (2008), a better understanding about the stages of organisational life cycles would be needed before we could describe how organisational activities and structures change over time, are interdependent and are reconfigured from one stage to the next. Supporting the views of Lester et al. (2003), Granlund and Taipaleenmaki (2005) argue that the model developed by Miller and Friesen (1984) ignores the differences in organisational and environmental characteristics of different types of organisations. For example, they argue that the model does not fit new economy firms (e.g., businesses targeting fast growth or already fast-growing firms operating in information and communications technology), which can only be located in the birth or rapid growth stages of the model.

According to Kezar (2001), the organisational life cycle approach has also been criticised for being conceptual rather than empirical, and for its overly deterministic nature. Miller and Friesen (1984) feel that the conceptual literature on the organisational life cycle seems to oversimplify organisational evolutionary patterns. Findings of their study reveal that firms, over lengthy periods, often fail to exhibit the common life cycle progression extending from

birth to decline, and the amount of time spent by organisations in any one period can vary considerably.

Organisational life cycle theory has deterministic stages of an organisation's life with common characteristics at each stage for any organisation. Accounting research that applies organisational life cycle theory compares accounting practices used at various stages, assuming that the variables that are not taken into account in organisational life cycle theory hold constant. For instance, it assumes that attributes of an early stage are the same for any organisation, whereas such generalisations are questionable or invalid.

This issue can be exemplified using the evidence that I gathered from Sri Lanka Telecom and another company operating in the same industry. Sri Lanka Telecom's early stage was in the middle of the 19th century, and is quite different from the early stage of the other company I visited, which was established in the mid-1990s. Even though the two companies are now operating in the same industry, they were established at quite different points of time and faced vastly different contexts in the early stages. Hence, accounting practices at the same stage of the organisational life cycle of the two companies were not the same and could not be, given the different technologies and socio-economic and demographic circumstances at the times of their formation. In its early stages, the Colonial Department used manual record keeping, and collected and reported information as required by the Colonial Office. These were relevant to the context of what became Sri Lanka Telecom when it was established. However, the other company used different accounting practices, and had different reporting requirements and management accounting information at start up. The competitor company had to prepare annual reports to be sent to the Companies Registrar and reports required by the Telecommunications Regulatory Commission; it used computer applications to record and prepare accounting reports; and it used management information such as customer profitability and benchmarking. This information and these statutory reports were not required by the Department at its initial stages because there was no competition, and telecommunication and accounting technology was less complex, the objectives of the organisation were completely different, the laws and regulatory bodies were different or did not exist and there were no customers, only a network of colonial government officials and a few private, commercial non-Sri Lankan subscribers. Accordingly, we can see that even at the same stage, the use of accounting practices is different depending on the context of the

organisation. Thus, organisational life cycle theory does not explain adequately change in accounting practices at Sri Lanka Telecom.

The organisational life cycle models differ from evolutionary approaches by focusing on the importance of the biological development of human beings in the change process, and viewing change that occur within the life cycles of people, as well as those of the organisations they create (Kezar, 2001). However, organisational life cycle theory considers only a few factors as determining factors of the stage of the life cycle and accounting practices used in the respective stages. It ignores why and how organisations move from one stage to another, among other things.

Indeed, from the above discussion we can see that organisational life cycle theorists too are captivated or hamstrung by the problem of reductionism. They perceive change in accounting practices as a result of the passage of time and require organisations to change many variables to continue successfully. However, as claimed by Lester et al. (2003) and also evidenced in this study, there is a very poor relationship between the age and the stage of the organisation and the application of accounting practices. Exceptions to the theory are not difficult to find because the theory ignores or does not explain all factors that affect the situation. For example, Sri Lanka Telecom does not use activity-based costing or transfer pricing accounting practices; whereas the other company uses those practices. Further, management controls, such as inventory controls, audits, close monitoring of the employees and cash, and other resource controls can be observed during the early stages of Sri Lanka Telecom, which is another exception to the organisational life cycle theory. Thus, application of organisational life cycle theory would not be able to explain these exceptions.

3.2.4. Institutional theory approach

Institutional theory is based on the concept of institutions. According to Scott and Meyer (1994), institutions are characterised by cultural rules that assign collective meaning and value to particular social entities and activities. These cultural rules then become norms and taken for granted laws. It is increasingly being applied in accounting research to better understand organisations, accounting practices and the change process (Parker, 2012). Quattrone and Hopper (2001) claim that researchers have turned to this theory, because of the limitations of neo-classical approaches. In particular, the integration of social and institutional dimensions of organisations and their contexts into this approach has improved

the potential to understand accounting change (Moll et al., 2006). Many researchers (e.g., Burns & Baldvinsdottir, 2005; Burns & Scapens, 2000; Coad & Cullen, 2006; Dillard et al., 2004; Guerreiro et al., 2006; Scapens, 2006) have used institutional theory in explaining management accounting evolution. The following section discusses some recent accounting studies that use institutional theory.

Burns and Scapens (2000), Guerreiro et al. (2006) and Scapens (2006) note that institutional theory approaches can be used to study the consequences of decisions and other choices made in the past on the current actions occurring within an organisation, and the roles of actors in those actions. Furthermore, Burns and Baldvinsdottir (2005), Burns and Scapens, and Guerreiro et al. argue that institutional theory approaches can be used to explain how management accounting practices are effectively institutionalised within an organisation. However, a key problem of institutional approaches is not elaborating how various management accounting tools are introduced into organisations, how the coupling of such tools with existing structures, procedures and operations varies, and the nature of resistance that can result from their introduction, presence and demise. Burns and Scapens and Guerreiro et al. note that the institutionalisation process of management accounting practices varies among different groups within an organisation, and that conventional institutional approaches have difficulties in explaining this variation. I made similar observations in collecting evidence for this study. For example, I found activity-based costing is not used at Sri Lanka Telecom, while the other company I visited for a limited time uses it. In another instance, I perceived that acceptance of changes formally introduced to performance evaluation systems varied among individuals within Sri Lanka Telecom.

To address these shortcomings of conventional institutional approaches, Burns and Scapens (2000, p. 23) suggest that “research should locate the processes of management accounting change in institutional time and space.” They argue that studying accounting practices over a longer period allows the researcher to understand contextual factors, and these may explain exceptions to general theories. Accordingly, they claim longitudinal studies allow the researcher to understand why, under particular circumstances, accounting practices have changed in one place but, under what appear to be the same circumstances, have not changed in another place. Burns and Baldvinsdottir (2005) suggest that future research to find empirical evidence for when, why and how individuals (individually or collectively) self-impose new institutions would provide solutions to the aforementioned issues relating to the

institutional approach. Accordingly, the theoretical framework developed by Wanderley et al. (2011) combined the three different frameworks of Dillard et al. (2004), Burns and Scapens (2000) and Seo and Creed (2002) to explain the complex inter-related factors at the intra- and inter-organisational levels that influence the accounting practices. In particular, Wanderley et al. assume that change in accounting practices is a continuous process in contrast to approaches that study changes at identifiable discrete points in time. However, I find the approach by Wanderley et al. lacks the ability to explain why individuals perceive change differently, a problem that arises owing to the assumption of a reality that exists independent of the observer.

As I understand it, the matters reviewed in the previous three paragraphs arise because of the assumption that perceived changes are independent of the participants and other observers, not to mention the researchers. Even though a longitudinal study that takes a traditional approach would provide more insight in understanding change compared to a study that is limited to a selected short period of time, I found during my research that this approach too does not adequately explain how and why individuals perceive changes differently. Hence I revised my approach to that reported in Chapters Two and Four.

I obtained same inspiration from Dillard et al. (2004), who raise the importance of a framework that explicitly recognises the socio-economic and political context. They claim that such a framework can present a more comprehensive explanation of the role of accounting in the institutionalisation process. They suggest explaining change as a dynamic process of establishing, appropriating and deinstitutionalising institutional practices and characteristics at three levels of social organisation, namely, societal, organisational field and organisational levels. Particular features given importance in a dynamic process are power, special interests and the political nature of organisations, whereas in the traditional institutional approaches, these are neglected.

From the above review we can see that institutional theory approaches are becoming more popular among accounting researchers due to their advantages compared to more traditional organisational change theories. Mainly, institutional theory explains a dynamic process of change, in the social context of the organisation. Also, as suggested by Dillard et al. (2004), incorporation of structuration theory enables institutional theory to explain the dual relationship between change in accounting practices and the contextual factors. However, institutional theory can also be criticised for its limitations in explaining change.

Quattrone and Hopper (2001) argue that a main issue of institutional theory is that it assumes people perceive institutions similarly and conform to institutional rules, norms and routines. They cite Scott and Meyer (1994):

Institutionalised cultural rules define the meaning and identity of the individual and the patterns of appropriate economic, political, and cultural activity engaged in by those individuals. They similarly constitute the purposes and legitimacy of organizations, professions, interest groups, and states, while delineating lines of activity appropriate to these entities (p. 9).

Quattrone and Hopper (2001, p. 406) question, “Who can ‘see’ institutions, actions and processes? Who can judge when processes making an institution a taken for granted and socially constructed reality are complete?” Their questions show that even institutional theory assumes a common reality. That is, people perceive organisations, accounting practices and their change in similar fashion. However, as Guerreiro et al. (2006) show, different people perceive change differently and act accordingly.

Quattrone and Hopper (2001) also claim that there is no capacity to explain further changes to an institution once institutional theory explains how institutions have come to exist. Both methodological individualism and contextualism “presume that either actors (or academics in their analysis) can see the institution” (p. 409). They argue that isomorphism of actors results in equilibrium and there is no room for a further change. They conclude that neither approach explains what change is and why the equilibrium changes.

A key issue not addressed in the institutional theory approach is why and how change is taking place. A belief in a static organisation and a linear change over time and space creates difficulties in explaining change. If there is a static entity, then how can it be changed? If it has changed, then what is the relationship with the previous entity? And does everyone perceive change in an identical manner? These unanswered issues are taken up in the next chapter.

3.2.5. Critical studies on accounting change

Critical studies are an emerging area in accounting studies. They cover implications of social, cultural and political aspects in accounting. In the rest of this section I discuss studies that have used dialectical, social cognition, and political and cultural approaches in studying

accounting change in organisations, as listed in Table 1. However, rather than include some accounting studies conducted recently in Sri Lanka that incorporate social, cultural and political aspects, I deal with these separately in Section 3.2.6.

Dialectical approach

The dialectical approach draws on the Hegelian-Marxian perspective that a pattern, value, ideal or norm in an organisation always has opposites (Kezar, 2001; Mumby, 2005). Not only does it always have an opposite, but the opposing forces influence each other (e.g., socially classed people engage in class struggle), and so change is created over time. According to Mumby, theories that fall under the dialectical approach are common in assuming humans and their society change and transform through tensions and contradictions until social order is achieved. He suggests that resistance should be understood as an individual or collective effort to shape the established social patterns and structures. He calls for studies to try to understand how these contradictions and resistance occur.

The dialectical approach assumes organisations pass through long periods of first order, evolutionary change, which are interspersed by short periods of second order, revolutionary change (Morgan, 1986). Conflict is seen as an inherent attribute of human interaction resulting in modified organisational ideologies or identities (Kezar, 2001). However, this approach also assumes that everyone perceives change in the same manner, or that change is independent of the observer; for example, all can perceive the long periods of evolution and short periods of revolution in a similar way. Kezar claims that this approach does not focus on rationality and linearity; and, although it explains regressive change and irrationality, the model has been subject to some criticisms. She notes that, similar to other models, this approach is also deterministic in nature and underestimates the impact of environmental factors.

These issues are revisited in the next chapters, where it is argued that perceiving change is subjective. Periods of change are a construction of individuals and the length of the period depends on how observers perceive the continuous change process. Whether an observer can perceive a long period of change or only shorter periods of change depends on her/his interests, experiences and knowledge. Thus, everyone would not be able to perceive similar lengths of change events or periods.

Genealogical approach

Genealogical approaches emphasise social and political attitudes towards change in organisations. The analysis they entail mainly focuses on forms of knowledge/power in creating history. Kearins and Hooper (2002, p. 733) state that the aim of genealogical analysis is to produce “a history of the present”. According to Kearins and Hooper, the Foucauldian method of genealogy has been used to analyse present systems as a construct of history. More importantly, they claim that the research outcomes of a genealogical analysis cannot be proven empirically because they are an interpretation of the context in a field of many possibilities.

Preston (1992) is one of the earliest to exemplify this approach in accounting. He explores the forms and transformations of accounting thought and practices as they emerged in the hospital sector in the United States of America. He suggests that such a study had to be situated in the social and historical contexts, as the study revealed how change in accounting is intertwined with changes in medical knowledge and practice, the emergence of insurances, changing forms of government regulations, and changing social and political attitudes towards the cost and provision of health care. He therefore adopted a genealogical approach, and so gave his interpretation of the emergence, functioning and conceptual features of various discourses in the industry showing they had implications for clinical accounting thought and practice.

Macintosh (2008) criticises some of the early Foucauldian-based accounting research, as well as some more recent studies, for lacking critical edge and being silent on the current state of accounting. He proposes that a Nietzschean genealogical approach for explaining the past, present and future of an organisation could be used to show how accounting practices develop.

Consideration of the context of the organisation is a strength in this approach. We can interpret change in accounting practices in the light of the context of the organisation. However, this approach, like the others we have discussed, is limited because it does not explain why individuals within the context or the organisation perceive changes differently. This approach assumes that change occurs as a result of different factors in the context, and that are perceived in a similar manner by the individuals involved.

Cultural approach

The cultural approach tends to emphasise phenomenological and social constructivist approaches to the study of organisations. Schein (2004, p. 17) defines culture as,

a pattern of shared basic assumptions that was learned by a group as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.

According to Schein (2004), changes in values, beliefs, myths and rituals result in change in organisations.

This approach has some of the attributes of social cognition and dialectical approaches. According to Morgan (1986), the cultural approach assumes that change occurs naturally, as a response to alterations in the human environment. Understanding history and traditions is important, as they represent the collection of change processes over time (Kezar, 2001). The cultural approach assumes that change can be planned or unplanned, can be regressive or progressive, and might have intended and unintended outcomes (Kezar).

Busco and Scapens (2011) define organisational culture as a socially constructed and validated pattern of shared basic assumptions, which have been developed by a specific group of individuals as these individuals learn to cope with the problems of external adaptation and internal integration. They combine the individual and social aspects of culture to develop a conceptual framework for understanding how management accounting systems play a part in the organisational change process. Busco and Scapens claim that management accounting systems cannot be considered as “objective and value-neutral tools” (p. 350). They argue that management accounting practices are linked with the process of production and reproduction of the shared stocks of knowledge that constitute an organisation’s culture. For example, they note that introduction of management accounting practices can lead to improved organisational communication. Infusion of management accounting systems by way of a common language of accountability, based on financial and non-financial metrics, can integrate accountants and non-accountants, such as engineers, into the organisation. Busco and Scapens claim that such a shared language can overcome communication, operational and cultural barriers between divisions or subsidiaries located in different countries.

Dent (1991) notes that cultural analysis of accounting can explain symbolic meanings and activities of an organisation and locate them in underlying local knowledges, values and beliefs. He demonstrates how accounting can have different meanings attributed to it in local cultures; and how accounting can constitute cultural knowledge in different ways. In turn, he shows how this situation can create new patterns of authority and influence, and new concepts of time and legitimate action. However, he recognises that the cultural knowledge constructed in his study is merely one case and how accounting systems are involved in organisational cultures differ in distinct ways.

Chongruksut (2009) claims that there are no cultural differences between organisations that use management accounting practices, such as activity-based costing, activity-based management, balanced scorecard and target costing, and those that do not use them. However, he claims that firms with greater emphasis on teamwork, participation, openness to change and adaptability have greater potential to use the aforementioned management accounting practices. He admits that his findings have limited generalisability, as his study covered only public companies that are listed on the Stock Exchange of Thailand and the study was limited to the four accounting practices mentioned above. He did not say where his findings might be generalisable to, had there been more coverage of organisations in different countries.

Kezar (2001) claims that the major contribution of the cultural approach is the emphasis on irrationality, fluidity and complexity of organisations. According to Collins (1998), the importance given to context, complexity and contradictions is a major contribution of this approach; many other approaches ignore these aspects. However, this approach is criticised for oversimplifying the notion of culture and its assumption of people's ability to change (Collins). For example, the basic cultural approach lacks the ability to explain contradictions between subcultures in a complex organisation. More complex models of culture are also criticised for their impracticability, as they consider change as long term and many layered (Burns, 1996, as cited in Kezar).

From the above studies we can see that culture is seen as a key determining factor in accounting change. Authors of these cultural studies believe that different cultural settings result in change in accounting practices. However, they ignore other factors associated with the context in which organisations operate, such as social factors, technological differences and differences in individuals. Thus, taking this approach presents difficulties in explaining

how accounting practices can change even without a cultural change. This is linked with the issue of reductionism, which is explained in Section 4.1.2.

3.2.6. Studies about accounting practices in the Sri Lankan context

This section reviews some recent studies related to accounting practices in Sri Lanka. These studies are mainly focused on social, cultural and political implications of accounting practices in textile, traditional fishing and plantation industries. In addition, Wickramasinghe et al. (2004) conducted a study in a privatised telecommunications company in Sri Lanka (see Section 5.2.2; according to the information provided in their study, the organisation is undoubtedly Sri Lanka Telecom).

Wickramasinghe and Hopper (2005) studied how and why cultural and political factors are important in the transformation of management accounting controls in Sri Lanka. They studied management accounting controls in a textile mill in a traditional Sinhalese village, where “domestic politicians and aid agencies tried to transform a society based on a traditional MOP [mode of production] and beliefs in Kingship to neo-liberal market capitalism” (p. 476). Their findings show the failure of trying to impose externally developed and conventional (according to popular text books) management accounting practices because the workers resisted. Wickramasinghe and Hopper found that management accounting controls took on unexpected roles when confronted by a traditional, rural culture based on kingship obligations. That is, management accounting controls were used to legitimise and defend the prevailing social and political issues.

Wickramasinghe and Hopper (2005) only examined budgeting in the textile mill. They did not consider change in accounting practices as a whole. Further, they analysed differences in budgeting systems in the organisation during five periods based on cultural and political factors. However, as I found, definition of periods according to a few factors has limitations in explaining change. First, determining changes by comparing a system at two distant points in time will ignore what has happened in between those two points. It may also ignore, not identify, or dismiss other factors that may have caused the changes. For example, during my study, I found it difficult to categorise the transition of Sri Lanka Telecom merely based on the cultural and the political background of the organisation. Indeed, one of my main findings is that accounting practices of Sri Lanka Telecom have been influenced by many other factors, such as the global telecommunication industry, technological developments in

telecommunications and interests of the ownership, in addition to the cultural, political and economic context. Therefore, I tried to identify the various instances of change of all of these aspects in the context in which the organisation is operating and how these changes are related to change in accounting practices of Sri Lanka Telecom. When we observe influences of many aspects, we can construct change in the context as a sequence of events. Then we can see how each event is linked to another, rather than comparing two delineated periods.

Jayasinghe and Wickramasinghe (2007) show how and why certain calculative practices are applied in the traditional fishing industry of a village in Sri Lanka. They claim that the notions of “total institution” (empirical context) and the “articulated mode of production” can be used by accounting researchers to get an understanding about their research sites beyond the formal organisation. Reflecting on the experience of Jayasinghe and Wickramasinghe, the evidence I found in completing this study indicates that the accounting practices of the organisation and the context of the organisation are inextricably linked. Studying the context of an organisation reveals the unique characteristics of use of accounting practices, even though on the surface practices in different contexts generally appear to be similar.

Jayasinghe and Wickramasinghe (2007) found unique techniques of calculations in the fishing industry of the village, in spite of the transformation of the village into a modern economy and way of doing business. Those calculative practices contained specific local vocabularies, aimed at achieving the villagers’ day to day economic needs and supporting the interests of some social groups. Their study gave different results compared to previous studies on determinants of use or non-use of accounting practices, such as social and state institutions, the level of literacy of people and norms of reciprocity. They claim that even though people of the village can read and write, villagers did not use general accounting practices. Their findings show that the calculative practices used in the fishing industry of the village are closely related to its social, cultural and political norms. According to them, limiting a study within the formal boundary of an organisation only describes how accounting is practised.

Alawattage and Wickramasinghe (2008) studied the role of accounting in a political hegemony using evidence from a tea plantation in Sri Lanka. They claim that, in contrast to their review of the role of accounting in Western contexts, their study shows that accounting lacks the power to make dramatic changes in organisations. According to them, the role of accounting in enterprises of developing countries should be understood within the

evolutionary context of political hegemony. For example, they show that, even though accounting was used to measure the labour usage, acreage, etc., to ascertain the production function and to provide information for financial reporting purposes, accounting had never been used by the management in the tea plantation to control the labour process. Instead, such calculations pertaining to labour were used broadly, to benchmark and to represent the existing political domination as “norms”. Accordingly, the calculations based on such norms, as manifested in budgets and estimates, reproduced the political domination, rather than causing any dramatic change in the organisation. Alawattage and Wickramasinghe note that any deviations of performance from these estimates were justified by managers by referring to issues involved with labour discipline, claiming that such issues are beyond the control of accounting practices and management due to political hegemony.

Alawattage and Wickramasinghe (2008) claim that their study helps to resolve some theoretical and empirical issues related to contextual differences between the West and developing countries. Their claim implies that we can expect similarities of how accounting practices are used under similar circumstances. That is, organisations in similar contexts would have similar accounting practices, and these are used to achieve similar objectives. However, findings in this thesis show that individuals even within the same organisation, or two organisations within the same context, assign different meanings to accounting practices. Therefore, we should study why such differences can occur.

Alawattage and Wickramasinghe (2009) conducted another study in the tea industry in Sri Lanka. They studied how a subaltern group (people with a lower status in the society) in the company, Ceylon Tea, Sri Lanka, used unorthodox, non-calculable methods originating from and deployed within the social group, but unknown to other groups of the society. The subalterns utilised their unorthodox calculative methods to change governance and accountability structures. Alawattage and Wickramasinghe found that use of those accounting methods led to changes in the structural conditions that were favourable to the subalterns, who previously were controlled and suppressed. They claim that subalterns effectively used these unorthodox accounting practices to communicate with society at large, and so demand emancipatory reforms in the hierarchical system in large-scale plantations.

My criticism of these few studies relating to accounting practices in the Sri Lankan context is that they are narrowly focused on cultural and political contexts. None of them are focused on why and how accounting practices have changed in organisations in Sri Lanka. Even the

study by Wickramasinghe and Hopper (2005) is about differences only in the budgeting systems in a Sri Lankan organisation and did not cover change in accounting practices as a whole. Also, the Wickramasinghe and Hopper study was the only longitudinal one.

A longitudinal study would provide evidence about change in accounting practices that were due to various reasons at various moments, enabling researchers and readers to gain a more comprehensive understanding of change in accounting practices, rather than a partial discussion focused on only one or a few aspects of change and confined to a specific period of time. This thesis exemplifies such a study. It examines accounting practices of the first telecommunications organisation in Sri Lanka over its entire formal existence (i.e. as a legal entity), along with the changing context of the organisation: it identifies specific reasons, gives evidence of specific instances of change and provides different explanations for change in its accounting practices.

As alluded to in Chapter One, having reviewed the literature on organisational change, Quattrone and Hopper (2001) claim that the overwhelming majority of theories, both those using rational choice approaches and those using contextualist approaches, consider change as an entity going from one state to another. There are two related and fundamental concepts referred to in this literature that are common to definitions of organisational change theories: firstly the presumption of the existence of an organisation (with various attributes that are all subject to change), and secondly, that change occurs over time. According to these assumptions, everyone perceives the same organisation, which is presumed to exist. Even so a question arises as to whether individuals perceive the same attributes and the same change process. For example, is the way that the organisation is perceived at a given point of time by one employee similar to the way the organisation is perceived by another employee?

Broadbent and Laughlin (2005) take a slightly different approach in explaining the nature of organisations. They claim that organisations exist with their own histories, even though organisations are not independent of their present-day stakeholders. They claim that the history of an organisation is a story created by different individuals, depending on their knowledge about the past and how they see the past, which is heavily subject to their preconceived ideas, interests and current requirements.

As alluded to earlier, I came across an example of this in Sri Lanka Telecom. A person who supported privatisation of the organisation related that before privatisation accounting

practices were not popular and the organisation did not prepare commercial accounts. Thus, according to him, in its past forms, the organisation did not utilise much accounting information. In contrast, I found Administration Reports from the late 1930s showing that the organisation did indeed prepare commercial accounts at that time, including profit and loss statements, balance sheets, capital accounts, statement of cash balance and inventory records. This contradiction of evidence may be due to that informant wanting to show support for the privatisation of the Corporation, and wanting to prove that accounting was an essential requirement to be successful. Thus, he claimed that it was difficult under government ownership to implement accounting practices he believed were new. Other possible explanations are that the term “commercial accounts” had different meanings in the two contexts, or that the informant was indifferent about the historical situation so far back in time. We have to take those personal opinions into consideration in constructing knowledge about the circumstances and events associated with a named organisation and interpreting changes. The above claim by the informant shows that interpretations of change in accounting practices are subjective and, thus, that an historical account should not rely entirely on the present incumbents or participants.

In gathering evidence for this study, I noticed that informants chose to explain different changes based on their knowledge, experiences and interests. Not only that, but they also had different perceptions about the attributes of the organisation and its accounting practices. Therefore, the meanings they attached to attributes and changes in the organisation they were all referring to by the name Sri Lanka Telecom, and to accounting practices they associated with that organisation, were not the same. The implication of this diversity for me is that, if I were to assume a single static organisation exists for everyone, I would be ignoring the multiple realities constructed and perceived by my informants. That is, no one, or hardly anyone, perceives the same organisation, the same attributes or the same change process.

3.3. Alternative approaches to study change

In this section I evaluate some theories that could have been used to study further aspects of accounting change but that are not used in this study, namely, a phenomenological approach, situational analysis and structuration theory; and their similarities and differences compared to the approach I have taken in this study.

Smith-Blair et al. (1999) claim that a phenomenological approach provides insights into how individuals (such as employees) experience implementation of change programmes in organisations as distinct from the intended outcome of the designers of the change process. The phenomenological approach explains experiences and perceptions of individuals from their own perspectives. “Epistemologically, phenomenological approaches are based in a paradigm of personal knowledge and subjectivity, and emphasise the importance of personal perspective and interpretation” (Lester, 1999, p. 1). Lester claims this epistemological assumption associated with phenomenological approaches enables the researcher to understand individuals’ motivations and actions. This emphasis of phenomenology on personal perspectives and individual interpretations is similar to my assumption that knowledge is constructed subject to the consciousness of people and is a process of assigning different interpretations to events (as explained in Chapter Two). Furthermore, Smith-Blair et al. (1999) state that the nature of reality assumed in phenomenology can effectively be applied to demonstrate how individuals *experience* the implementation of a particular change in an organisation or an accounting practice differently or similarly from the point of view of the participants. In spite of the similarities in the epistemological assumptions, my approach based upon the Buddhist philosophy differs from the phenomenological approach in terms of the ontological assumptions. The Buddhist philosophy denies the concept of “in-it-self” or “noumenon” (“an object knowable only by the mind or intellect, not by the senses”, “Noumenon”, 2000), which is the ontological assumption in phenomenology (Bhikkhu Nanajivako, 1981). As claimed by Kalupahana (1992, p. 53), the “nature of existence in the Buddhist philosophy can be summarised as ‘*paticcasamuppāda*’ (dependent arising⁷, a theory that [is] formulated on the basis of the experience of dependently arisen phenomena)”. Regardless of these differences in ontological assumptions, a phenomenological approach may be useful in understanding the outcome of a particular change introduced in an organisation. Siderits (2011) claims a provisional ontological status or an object that is considered to be real is useful due to the limitations of observers’ cognition. He provides an analogy of a pot (made of atoms) of honey. He claims individuals need a container (that is, the assumption of an existing entity) for honey and individuals are not capable of observing each and every atom (that is, the impermanence). Similarly, in research the assumption of a

⁷ “The term ‘dependently arisen,’ being a past participle, refers to some thing, event, or idea that ‘has occurred’. Its usage in Buddhist texts distinguishes it from expressions such as ‘had occurred’, which carry strictly past connotations with no reference to the present in any form” (Kalupahana, 1992, p. 53).

reality may be practically more useful, whereas the approach that I will discuss in Chapter Four may have limited use for accounting practitioners.

As will be discussed in Chapter Four, application of a particular theory that focuses on only one or a few factors of change would limit researchers understanding of accounting change in organisations. Even though I have discussed the importance of considering the context of the organisation and accounting practices in this study, the purpose of such consideration was to construct as many events as possible to perceive the impermanence of accounting practices and to arrive at a comprehensive understanding of the change process. Thus, even though I studied the context of Sri Lanka Telecom, my study did not address the human capacity to influence the context and vice versa.

According to Graetz and Smith (2010), application of a single research approach to researching the introduction and implementation of change in organisations and accounting practices is not effective as organisations are operating in complex and ambiguous conditions. Fear (2014) finds difficulties in applying a single theory to describe change in an organisation over a long period of time and claims that different factors can be found as drivers of organisational change at different point instances. As a solution to this problem Fear (p. 178) suggests “periodization”, which “offers a framework for understanding certain environmental contexts that must be considered to understand firm strategies and micro-organisational change”. He suggests that theories of organisational change should consider the time and space specific to an organisation rather than considering a universal context.

Burger (2013) and Hergenhahn (1997) raise the importance of studying the inseparable relationship between the individuals, the context and the temporal dimensions. According to Burger, individuals and the world are not separable. Hergenhahn (p. 512) notes the importance of applying Heidegger’s approach to phenomenology for investigating the “totality of human existence”, which assumes that an individual’s existence is never static but rather is characterised by constant changes due to decisions. Hergenhahn further notes that individuals are capable of defining their own existence in the context and circumstances that surround them (e.g. genetic, social and ethical factors). Even though his claim appears to be in line with my explanation of the nature of change, it contradicts my assumptions about the (non)existence of the world or self. In spite of these contradictions, a framework based upon phenomenology would facilitate studying how individuals exercise their freedom or power in

making decisions and the related consequences in introducing changes to the context with which the individuals are associated.

In considering the complexities of the context in which organisations operate, Clarke (2005) suggests “situational analysis”, an approach that can be applied to address the complexities of a situation and relationships between different elements of that situation. According to her, it is hard to identify clear-cut boundaries between elements in a given context and her approach has the ability to overcome the limitations of assigning realistic qualities for defined entities or individuals in other theories. Clarke (2005, p. xxvii) claims that situational analysis is “useful in understanding and elaborating what has been meant by ‘the social’ in social life” as the social has often been “analytically elusive and ungrounded in research”. According to her, situational analysis “integrates the social worlds/arenas/negotiations/discourse framework with grounded theory as a new conceptual infrastructure”.

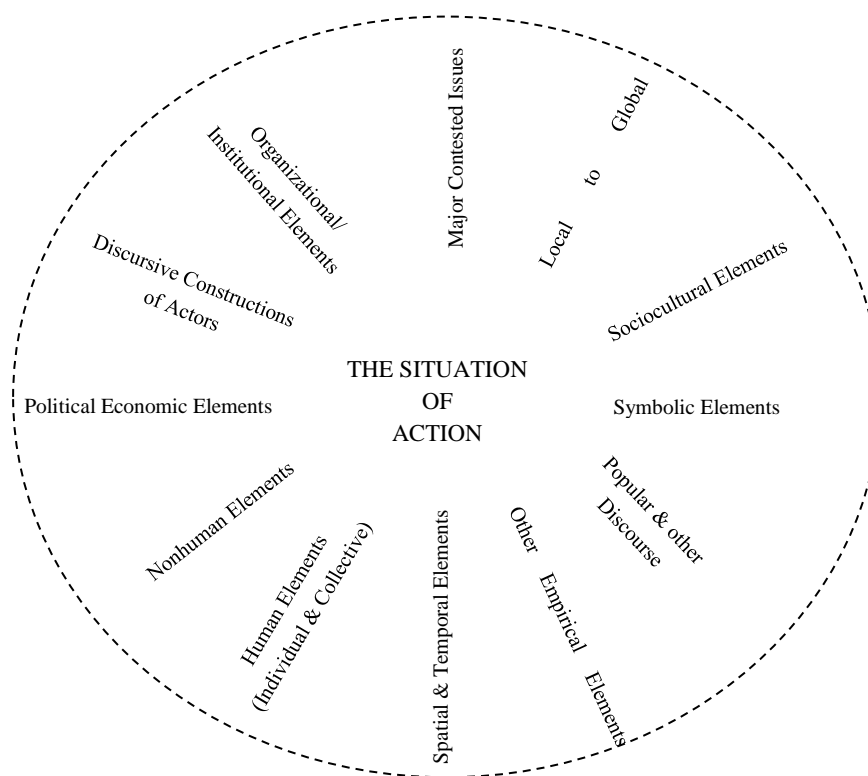


Figure 3: Clarke's Situational Matrix (Source: Clarke, 2005)

Clarke (2005) highlights the importance of focusing empirically on the situation as a whole and on examining distinctions made from the perspectives of different actors, rather than solely from the perspective of the researcher. She notes that her matrix (Figure 3) attempts to identify all key elements in a given situation and understand them as constructive; that is, as

in part constituting each other, which assumes that origins, meanings and change lie in relationality. According to her, the fundamental assumption of the model is that everything in the situation both constitutes and affects everything else in the situation in some way.

My major concern regarding the application of Clarke's model in explaining the nature of change was that it only depicts the situation at a given point and lacks the ability to explain change as a continuing process. Thus, I found difficulties in the application of situational analysis in interpreting the nature of change.

Giddens' (1982) structuration theory could have been useful in understanding the reproduction of social relations (i.e., structuration of individuals and collectives) across time and space, an aspect of change that I did not cover in this study. In particular, the claim made by Giddens (1982, p. 8), "neither the subject (human agent) nor object (society) should be regarded as having primacy" and "each is constituted in and through recurrent practices", can be applied to find answers to some practical questions such as "what and who makes change happen?" According to Macintosh and Scapens (1990, p. 455), structuration theory presented by Giddens is "more focused, informative, integrative, and efficient in analysing how accounting is implicated in the construction, maintenance and changes of the social order of an organisation, than many frameworks" used up to then, and still used, in other management accounting studies. Busco et al. (2007) also highlight the importance of the application of structuration theory as it considers the interaction between agency and structure in studying management accounting change. Thus, application of structuration theory would allow researchers to study aspects of change that this study did not cover, particularly to analyse the implications of human agency in change in accounting practices. Such analysis would improve the practical relevance of studying change.

3.4. Summary

As presented in this chapter, researchers have used ranging theoretical perspectives to explain accounting change. The literature reviewed throughout this chapter shows that for some time teleological approaches, contingency theory and organisational life cycle theory have been commonly used in explaining change in accounting practices. However, recently institutional approaches, which share attributes of cultural and dialectical approaches, have been increasingly used in accounting research because of the limitations in earlier theories. In particular, consideration of contexts of organisations has enabled researchers to interpret

change in accounting practices more comprehensively. However, as explained, institutional approaches also have their limitations in explaining the nature and dynamics of change of an existing organisation. In particular, Quattrone and Hopper (2001) point out that the institutional approach has limitations too as it does not explain who can see “institutions”, why institutionalisation varies among different parties, and why there are further changes to an established institution.

Other critical studies on accounting change that use cultural, dialectical and social cognition approaches can also be criticised for their limitations. Examples of limitations are oversimplification of the notion of culture, or a too narrow focus on cultural and political contexts of organisations.

In spite of the differences in the methodological assumptions I applied in this study, I found that the application of phenomenological approach, situational analysis and structuration theory could also be useful in analysing further aspects of accounting change that were not covered in this study. In particular, even though my assumption that any reality that appears to exist is a construction of the observer is important to interpret the nature of change, as explained in Section 3.3, this assumption is limited in analysing further aspects related to change in accounting practices.

In summary, I found that the main limitation of extant studies is driven by the assumption of a reality that exists independent of the observer. As a result, these studies consider a change of an existing object, circumstance, situation or event assuming changes can be perceived similarly by observers and attempt to reduce the causes of change to only one or a few aspects of the context of the organisation.

Based on the review of extant studies on accounting change, I realise that in order to develop a more comprehensive interpretation it is important to answer how and why change is taking place and why individuals perceive change in accounting differently. These are matters that Busco et al. (2007) and Quattrone and Hopper (2001) advocate as part of revisiting the nature of change.

Chapter 4

Change as a Construction

As outlined in Chapter Three, using the evidence gathered from Sri Lanka Telecom and its context demonstrated I experienced difficulties in explaining change in accounting practices when applying extant theories, and their inherent assumptions, to accounting change; and so I turned to alternative ideas as outlined in this chapter. My aim here is to illustrate the limitations of extant organisational change theories; and, using the concept of impermanence in Buddhist philosophy, devise a framework that can explain change in accounting practices.

The chapter comprises nine sections. The first discusses why extant literature on accounting change is limited in explaining change. In particular, I consider identification of a unit of change and reductionism, which are common attributes of extant studies on accounting change. These two assumptions have created difficulties in explaining “what is being changed” and “why individuals perceive change differently”. The second section demonstrates the need for a different approach to perceive change, one not based on a belief in a reality and outlines such a perspective. This perspective is based on the concept of impermanence, which explains the emerging, declining and changing of things. I explain the concept of impermanence and how we perceive change and the nature of the change we perceive in the second section.

Based on the concept of impermanence, in the third section I explain how observers construct “real entities”. It is important to understand how individuals construct entities that appear to be existing in order to understand the nature of changes we perceive. In the fourth section, I show that what we perceive as changing is not something that exists independent of the observer, but it is a construction of observers. In the fifth and sixth sections I show how observers construct the concept of time and the limitations of perceiving changes at predetermined points of time. Based on the concepts derived from impermanence, in the seventh section I then explain why individuals perceive change differently and act differently in a given context.

The eighth section points out the importance of the consideration of the whole context of the organisation when we study change in accounting practices. Finally, I discuss the importance of the concepts that I present in this chapter for devising a more comprehensive interpretation for how and why individuals perceive changes in accounting practices.

4.1. Limitations of organisational change theories

As mentioned in Chapter Three, the identification of a unit of change and reductionism provide the opportunity to consider the limitations of the extant organisational change theories. This section explains each concept in detail.

4.1.1. Identification of a unit of change

Van de Ven and Poole (1995) and Dillard et al. (2004) note that the process of organisational change and development takes place at many levels, including individual, group, organisation, population and larger communities of organisations. According to them, such nesting of entities into larger organisational entities creates a hierarchical system of levels. Van de Ven and Poole claim that many theories assume that, as long as an entity that undergoes a change process has a discrete identity, researchers can decompose or aggregate those levels to understand the organisation. As they and Kezar (2001) note, identifying a discrete entity or entities that undergo change is a pre-requisite of both functionalists' and social constructivists' theorising about organisational change.

All the theories I reviewed on organisational change in Chapter Three assume an absolute unit of change and look at the changes over time in a relative sense. Those theories compare characteristics of an "organisation" at different points of time, and assume that there is an "organisation", a real thing that is not changing. This analysis can be compared with the analogy of an axe that someone used for 30 years. The handle may have been changed 10 times and the head six times, but the person considers it to be the same axe. A comparable analysis of change of a real existing organisation can be seen in current literature on accounting change. For example, evolutionary theory explains how an organisation has changed over time as a result of changes in the environment; and organisational life cycle theory explains how an organisation has changed over a deterministic life cycle. Explanations of these theories imply some non-changing component of the organisation. Hence, it can be seen that all these theories compare an entity at different points of time, and explain the change in comparison to an initially existing organisation and its characteristics. For example, in organisational life cycle theory, the growth stage is compared to the birth stage, and then the maturity stage is compared to the growth stage. However, such comparisons are only valid if other aspects, not under study, remain unchanged.

One can also question whether all observers can perceive the same change from one mutually identified status to another such status. What if different individuals identify different points of change? Then the “entity” identified by one person is not going to be the same as the “entity” identified by another person. If those entities are different, then the qualities of the entity constructed by those individuals are different with different characteristics. Thus, the explanations of change by different observers depend on individual constructs and the qualities and properties assigned to those constructs. Thus, interpretation of the change differs from observer to observer.

This reasoning brings into question whether there is a discrete entity that is independent of the observer. How can a researcher define an “organisation” that undergoes a change process? Is it the same organisation perceived by the employees, the owners and the customers of the “organisation”? If the definition of the “organisation” is different among different parties, are they going to perceive similar changes in the organisation or in its accounting practices? Changes observed by each individual are subject to their own constructions about the organisation.

Quattrone and Hopper (2001) argue that studies based on either individuals’ rational choice or contextual approaches assume change as the passage of an “entity” from one identifiable and unique status to another. They claim that both social constructivists and realists assume a unique external reality, socially constructed or real, and a linear view of space and time towards a condition of stability. However, if the organisation stabilises at one instant, that is, as a unique external reality, then the question arises of how can we link this reality to the next instant.

Quattrone and Hopper (2001) question claims of a linear evolution from one point to another, as there are information gaps. Thus, by only identifying points of time in change, the researcher or the observer is misled. This is because, at a given point of time, by constructing something that is not changing, the observer disregards all other aspects, or at least some that are in the context and that are subject to change. If we ignore the interval between two accounting practices, we cannot explain what has happened in between those two points. We can compare only the changes in other variables in the context at those two points. We would not be able to explain how the next point is reached and the link between those two points.

Burns and Vaivio (2001) raise the same issue. They question “whether change can be studied as a distinct, observable episode, which has a beginning and an end, or whether we should approach change as an on-going phenomenon” (p. 393). They ask “Is management accounting change, from a research point of view, a continuous organizational process?” (p. 393).

Accordingly, a main issue that I address in Section 4.4 is how observers construct an entity and why the entity observed by one person is different from that observed by another. If we can explain change as an ever-changing continuous process, where the organisation takes different entities at each instant of observation, we can tackle this question. Then we can see why individuals perceive change differently, and how organisations can manage change without conflicts.

4.1.2. Reductionism

It is usual for organisational theorists to look at only one or a few aspects of change. This amounts to organisational change theories attempting to understand the nature of complex social behaviour by reducing the behaviour to an independent part or parts. An unstated or unarticulated but implicit assumption is that the complex circumstance, situation or event that appears to exist is merely an aggregation of these parts and an understanding of the total system can be acquired from accounts of individual parts taken in isolation. This reductionism is not only found in theories deduced or induced by objectivists, but also in theories of social constructivists. As noted by Garfinkel (1967, p. 11), social constructivists view social reality as “a ‘contingent on-going accomplishment’ of competent social actors who continually construct their social world via ‘the organised artful practices of everyday life’.” The driving factors underlying each organisational change approach are listed in Table 2. As shown in Table 2, each approach identifies one or a few key reasons for changes in organisations. Application of a particular organisational change theory tends to look at only limited dimensions of change, and so does not provide a comprehensive explanation of why the organisation has changed.

Bourdieu and Wacquant (1992, p. 9) argue that, through the lens of social phenomenology, “society appears as the emergent product of the decisions, actions and cognitions of conscious, alert individuals, to whom the world is given as immediately familiar and meaningful.” This implicit assumption is linked with the problem explained previously of

identification of a unit of change. Properties of an object, circumstance, situation or event that is taken as a whole cannot be explained as the aggregation of properties of its constituent parts as the initial object, circumstance, situation or event that appears to exist may have completely different properties because of the complex interactions between the individual entities. The importance of looking at things as a whole can be illustrated using the following examples that are familiar to me.

Table 2: Why Organisations Change (Source: Kezar, 2001)

Approach	Why Change Occurs
Evolutionary	External environment
Teleological	Leaders, internal environment
Organisational Life Cycle	Leaders guiding individuals' natural growth
Political	Dialectical tension of values, norms, or patterns
Social Cognition	Cognitive dissonance, appropriateness
Cultural	Response to alteration in human environments

As taught in Buddhist philosophy, the composition of the world, or any object, can be explained in terms of the four elements (*Dhātu*), namely: *Pathavī* (solid element), *Āpo* (water element), *Vāyo* (wind element) and *Tejo* (heat element). In this system, these four elements do not exist separately and individually: objects consist of qualities of all these four elements to varying extents. Accordingly, in order to study the changes of properties of the object we should consider all four elements. Similarly, the context in which the organisation is operating consists of many aspects. Thus, to study a given change, we should study the context as a whole with its constituent parts. A study of only one given aspect would provide only a partial explanation of impermanence.

Another illustration is given by Wansapura (2008). He compares the reductionist thinking to a salad: society is seen as merely a mix of people. Even when mixed, separate individuals can be identified. But he suggests that society should be seen as a '*Sambol*',⁸ in which individual ingredients cannot be identified, and which has a completely different quality. Similarly, social relations are complex, and when different aspects are combined together, the end result has completely different properties and is not merely an aggregation of the qualities of the individual items.

⁸ A South East Asian food.

Moreover, the same outcome can arise for various reasons in different circumstances. Therefore, a general single cause for a given outcome can rarely if ever be determined. For example, as stated in Questions of King Milinda (2003, pp. 70-71), Nàgasena Thero answers a question of King Milinda:

Suppose a man were to hold in one hand a red-hot ball of iron, and in the other a lump of icy snow. Both of them would hurt him. But are they both hot or both cold? If the heat hurts, and they are not both hot, the pain cannot come from the heat. If the cold hurts, and they are not both cold, the pain cannot come from the cold. How then, can both hurt you, since they are not both hot, not both cold, and the pain comes neither from the hot nor from the cold?

This illustrates that similar consequences can arise from two or more different, seemingly opposite causes. Therefore, it is important to study all possible causes or conditions surrounding a given outcome or situation. On the other hand, human behaviour is very complex and, even under similar conditions, different individuals and organisations react in different ways. Therefore, one cause or set of conditions cannot be identified for a particular behaviour, as different factors may give rise to a similar kind of situation arising; and the kinds of situations arising from one factor may differ. Thus, it is important to look at the context as a whole, rather than deconstructing a given context into independent entities and then studying only a single or a few aspects of it. Otherwise, reductionism results.

Moreover, we assume that a given outcome is perceived by all individuals in a similar manner. As is explained in Section 4.3, individuals construct static realities (an outcome) due to their inability to perceive the continuous change process of the circumstances and conditions of the organisation. Individuals observe only a limited number of changes in certain aspects of these circumstances and conditions, depending on such conditions as what interests them, their knowledge and experience and the level of importance paid to a particular aspect. Individuals try to explain the outcome of a change to an organisation according to what they have perceived, but because their observations are subject to what they are interested in and what is important to them, they tend to attribute a change to a particular cause, whereas the cause perceived by an individual is unlikely to be the only reason for the change in the organisation, if indeed “the change” exists separately from the state of impermanence. Another individual may perceive the change in terms of another aspect, again depending on her interests and abilities. Her explanations of change will be

different from those of the other individuals. Thus, limiting a study to a particular aspect will limit the scope of each observer in observing changes in the organisation.

On the other hand, the various people in an organisation who implement changes in accounting practices need to look at the impact of a given change in accounting practice on the whole context. If we look at consequences for a given aspect and for the whole context, then a change in an accounting practice is going to imbalance the system, and vice versa. For example, a change in the strategy may require the introduction of a new accounting practice. The people in question might need to introduce new technology into their organisation in order to implement the new accounting practice. As a result of the new technology, they may have to change the accounting practice in their organisation again to suit the new technology. At the same time they have to change the human resource requirements to suit the new accounting practices and technology. Similarly, they have to look at consequences for other aspects, as well, and change accordingly. Thus, application of a particular organisational theory focusing on only one or a few dimensions would provide only a partial explanation of why we perceive the organisation and accounting practices to have changed.

Van de Ven and Poole (1995) note that the observed change and development process in organisations is generally more complex than as explained in organisational change theories. Conditions may exist to trigger an interplay among several aspects of change and produce interdependent cycles of change. Therefore, it is important to understand a social system as a whole.

De Silva (2006) claims that reductionism is linked to linear thinking. This thinking applies to both functionalist and social constructivist approaches to explaining change. The linear approach to organisational change can be illustrated as in Figure 4. This depicts the sources of change, that the aforementioned theories on organisational change have selected, as causing the change in the organisation from one status to another. It presents the relationship between the causes of change and change in an organisation as linear. This linear thinking leads to the problem mentioned in the previous section: identification of two points of change leaves an interval in between the changed entities.

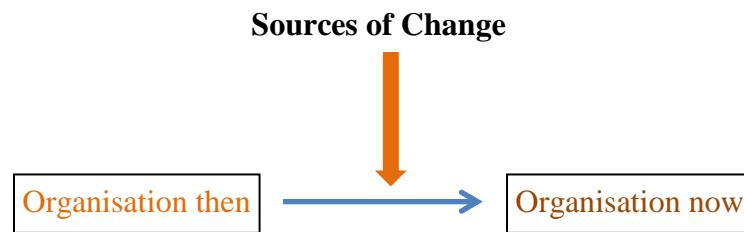


Figure 4: Linear Relationship

Guerra (no date) identifies a key feature of linearity as additivity, where a complicated problem is broken up into manageable pieces, analysed as constituent parts, and a conclusion is reached about one part at a time, eventually resulting in additions in knowledge to each part being synthesised. He criticises such approaches for administering and controlling the various elements of human existence, this control being based on an assumption of linearity, whereas human beings operate in highly complex and non-linear ways.

As mentioned in Section 4.1.1, the prevalence of linearity in change models is considered by Kezar (2001). She criticises change models for their way of describing how change happens (process) and outcomes, assuming that an entity undergoes a change process from one point to another in time and space, and in a linear manner. For example, the organisational life cycle approach studies how organisations adapt to internal and external changes as an entity passes through the linear stages of its life cycle. The evolutionary approaches identify variables from the external environment as causes of change. The cultural approach to change, although it comes from a social constructivists' view, considers that "change occurs as a response to alterations in the human environment" (Morgan, 1986, pp. 136-137).

The linear relationship assumes the independent existence of sources of change. However, this assumption is not practical as we can observe many instances where two entities mutually influence each other causing changes in both entities simultaneously. Thus, it is difficult to understand which comes first in changing one entity or the other. For example, attitudes of an individual have an influence on the other individuals of a group, while the individual's attitudes are influenced by the attitudes of the group. Therefore, it is important to recognise the interactive nature of cause and effect in understanding the nature of change in an organisation.

Based on the above points, I argue that it is important to look at situations as a whole, in order to provide a more comprehensive understanding of complex relationships. Therefore, in contrast to existing theories that reduce causes of change to only one or a few aspects, I perceive change as a composite construction of the observer.

In conclusion, the limitations of existing organisational theories have mainly arisen as they identify a discrete entity of change, and explain a linear change in terms of only one or a few dimensions over time and space. I found that these limitations can be explained by applying the concepts suggested in the following sections. Those concepts can be used to incorporate the changes in all aspects of the context and consider the continuous change process. By using this dynamic process of moments, detailed in Section 4.3 onwards, I am going to explain what change is and why individuals perceive change in accounting practices differently, using Sri Lanka Telecom as an illustrative case study.

4.2. Change explained as impermanence

Identification of a unit of change, reductionism and linearity are related concepts. From these, limitations have developed in our ability to understand the concept of change in organisations. The use of the concept of reality in explaining change inevitably leads to the problems of identification of the unit of change, reductionism and linearity.

As Quattrone and Hopper (2001) and Busco et al. (2007) indicate, and a key issue that I came across in explaining change, is the identification of a discrete entity and explaining a change of that entity using only one or a few aspects over time and space. As explained in this chapter, these issues are common to all approaches that have been used in accounting studies. Therefore, even if different perspectives were integrated, they would still have similar limitations in explaining change in an organisation. Quattrone and Hopper also note that the belief in a discrete entity and the realistic nature of change have been key constraints in understanding how and why change occurs. They discuss the need for an alternative view in looking at nature of change, specifically one that does not assume there is a reality which is changing.

I believe that the task of finding a new approach, one that interprets the inadequacies of the extant theories on organisational change, would be more successful if it were based on a worldview that does not believe in mutually observed and understood existence. Accordingly,

I propose that one should consider this changing nature of the organisation, its different entities, and why people perceive change differently.

Buddhist philosophy explains the nature of change by using a concept called “impermanence”. This philosophy does not believe in methodological assumptions of a reality. Impermanence can be used to explain how we construct concepts and how we perceive change of these concepts. Thus, I will use the concept of “impermanence” to explain how people perceive change and the dynamic nature of organisations. I believe that one can develop an alternative framework to understand and explain change in organisations and accounting practices by applying the concept of impermanence. This would have the potential to overcome these shortcomings. Thus, I set out to devise such a framework.

As mentioned in Chapter One, impermanence is one of the three marks of existence. According to Buddhist philosophy, any object, circumstance, situation or event that appears to exist is subject to a continuous change process which can be explained as the emergence and the decline of forms of that entity. This section explains impermanence and how I adopt that concept in this study to explain change.

According to Nayanatiloka Thero (2004, p.16),

impermanency of things is the rising, passing and changing of things, or the disappearance of things that have become or arisen. The meaning is that these things never persist in the same ways, but that they are vanishing, dissolving from moment to moment. Impermanency is a basic feature of all conditioned phenomena, be they material or mental, coarse or subtle, one’s own or external: “All formations are impermanent” (*sabbe sankhārā aniccā*).

According to Stcherbatsky (1930, p. 84), the theory of Universal Momentariness in Buddhist logic “implies that every duration in time consists of point-instants following one another, every extension in space consists of point-instants arising in contiguity and simultaneously, every motion consists of these point-instants arising in contiguity and in succession”. Here, contiguity can be explained as close succession or sequential emergence of observations. Therefore, he concludes that separate reality of time and space is denied in Buddhism, in contrast to realists. Thus,

Realists assume the existence of real substances along with real qualities, whereas the Buddhist view is that ultimate reality cannot be so divided, it cannot represent a stable stuff with real moving qualities situated upon it. However, it is hard to eliminate terms such as thing, qualities, substances etc. implying a sense of reality which is rejected in Buddhism. (Stcherbatsky, 1930, p. 97)

Kalupahana (1976, p. 37) explains that “things” are impermanent not because they are momentary (i.e. things have a momentary duration – see Stcherbatsky, 1930), but because they are characterised by emergence (*uppāda*) and decline (*vaya*). He claims that a theory of moments might be derived from a logical analysis of this decay of change, which literally means change to what exists.

The following exemplifies the nature of emergence and decline of things:

[L]ife is comparable to a river. It is a progressive moment, a successive series of different moments, joining together to give the impression of one continuous flow. It moves from cause to cause, effect to effect, one point to another, one state of existence to another, giving an outward impression that it is one continuous and unified movement, whereas in reality it is not. The river of yesterday is not the same as the river of today. The river of this moment is not going to be the same as the river of the next moment. So does life. It changes continuously, becomes something or the other from moment to moment. (“The Buddhist Concept of Impermanence”, no date)

Applying this to the subject of this study, it would be a mistake to believe that a person, an organisation or an accounting practice remains the same for more than an instant. Instead, these things change every moment: people, organisations and accounting practices are impermanent. However, as observers cannot observe all these instantaneous changes, they construct something permanent at points in time and they construct explanations about differences occurring during the intervals between each chosen two points. They then explore these changes to identify how and why they occurred and refer to them as changes. This exploration process leads to an explanation of change of an existing organisation or accounting practice.

My starting point is to assume that every construct consists of point instances that are linked continuously, as explained by Stcherbatsky (1930). A movement of an object, an organisation, or an event comprised of point instances can be illustrated using Figure 5. It

shows how a construct, in this case a ballerina in one instant, changes to another construct in the next instant. Thus, the picture captures very closely (theoretically there are an infinite number of instances) how one action is followed by another and shows how movements of the dancer follow one another.



Figure 5: Sequence of Instances - 1

(Source: Columbia University Graduate School of Architecture, Planning and Preservation, 2012)

In practice, a human eye may not capture all the movements visible in Figure 5. This would depend on how fast the dancer makes the movements and on the observational capabilities of the observer. The points of change that are observed would vary. For instance, consider Figure 6. The movement of the person in the picture is not as comprehensive as the picture shown in Figure 5. The gaps shown in the picture do not explain what happened in between the point instants A-B, B-C, C-D and so on, in as detailed a manner as in Figure 5.

Furthermore, if this picture contained only points B and F, the movements of C, D and E would not be seen, known or attract the possibility of explanation. Hence, an observer would not necessarily know there had been a jump, let alone the height of the jump. The observer may reach conclusions about the movement of the person only with respect to the distance of her movement and could not make conclusions about how she has reached the other end (e.g., walked, ran, jumped, or stumbled). This illustrates that point instances observed by observers may be insufficient for knowing and being able to explain how moments are in fact linked: it is important to observe as many moments as possible and how each is linked with others to be able to explain what has happened.



Figure 6: Sequence of Instances - 2

(Source: Vloothuis, 2008)

When we observe the context as a chain of moments, we observe and take into consideration all, or at least as many as possible, instances that are particular to the object under consideration. If we observe changes as point instances, as one followed by another, we can see the clear links between those point instances and can arrive at reasonable conclusions on how change has occurred from one point instance to another. On the other hand, if we neglect the point instances in between some given points, we are going to ignore some important information. For example, as shown in Figure 6, point instance C, D and E are important for making a comprehensive conclusion about the movement of the person from B-F.

Therefore, the more we can observe change as a sequence of point instances, linked more closely together (i.e. from one moment to another), the probability that we can obtain a comprehensive knowledge of impermanence increases. In contrast, we can compare an organisation or accounting practices at two predetermined points based on a selected variable. The further the two points are apart, the less we will be able to explain what has happened during the interval between the points and the less satisfactory the explanation will be, particularly the more variables that are actually involved but which go unobserved. However, by trying to observe events without limiting the study only to predetermined point instances and not restricting our observations to only one or a few variables, we can know more about change to an organisation and its accounting practices from multiple aspects.

Using the concept of impermanence, the following sections discuss how individuals construct static entities, what is change, how individuals perceive change, why perceived change is different from one individual to another and the importance of the concept of impermanence in explaining change.

4.3. Construction of entities

It is important to understand how we construct different entities of existence, in order to gain a better understanding about change. As illustrated using Figure 5 and Figure 6, observers construct discrete entities to overcome their inability to observe an otherwise blurred sequence of instances: the impermanence. For example, in practice an observer may not be able to capture all the movements of the person. As such, the observer would construct the different entities of her actions from, say, only points B, D and F in Figure 6.

As explained in Chapter Two, a rotated fire brand is another way of explaining how we construct entities. When we move the fire brand fast, it appears as a ring of fire to the observers; in other words, observers “construct” a ring of fire. That is because the observers are not capable of perceiving the impermanence of the fire brand. Similarly, when we perceive the impermanence of an organisation or accounting practices, individuals construct static entities with intervals in time, due to the inability to perceive a difference between each point instant. However, in the case of the fire brand, observers are aware that the ring of fire is an illusion that they constructed as the person who is whirling the fire brand starts and stops it from time to time, so that the observers can see the fire brand. In contrast to a fire brand, an organisation is a more complex phenomenon; observers are not capable of identifying a starting or an ending point in each aspect of the organisation. Therefore, it is difficult for observers to realise that what they perceive as a permanent entity, the organisation, is an illusion constructed because of the inability to perceive the impermanent instances.

Having arrived at their constructions, observers then attempt to explain change of those constructions. However, as shown above, when observers try to explain the reasons for the change in what they perceived, they may be ignorant of some important information in the intervals between the point instants. Likewise, a researcher of organisational change may observe only a few point instances of the organisation that is impermanent and construct

different static entities of the organisation depending on the researcher's own capacity to observe and that of informants or other sources of evidence.

The entities that are constructed do not exist independently of the observer, but they are a construction of the individual. Thus, these constructed entities are not the only possibilities of entities, and the number of entities and length of the interval in between observations of those entities may vary from one individual to another. Thus, a study about change in organisations or accounting practices should pay attention to as many events as possible in the context of the organisation rather than attempting to identify predefined entities at moments in time.

4.4. What is change?

The essential difference between current organisational change theories and the framework that I am applying in this study is that the latter is not founded on the presumption of there being a distinct organisational entity. As reviewed in Section 4.1.1, all current organisational change approaches are premised on there being a discrete entity, such as an “organisation”, that undergoes the change process. However, I am arguing that observers construct different entities out of an “organisation” depending on how each observer perceives the impermanence of the tangible and intangible elements that comprises or gives the illusion of the organisation. Accordingly, as organisations are impermanent, the observers' constructs will take another identity as a result of each observer's construction of “the change process”.

Buddhist philosophy rejects the realist concept of change on which the current organisational change approaches are premised. Stcherbatsky (1930) questions whether change represents something different from the thing changing, or is the thing itself. If it is nothing different, nothing will happen to the thing; the thing will remain as it was; and there will be no change. If it is something apart, it will remain apart and, again, there will be no change. According to Stcherbatsky (p. 96), change means “either that one thing is replaced by another thing, or that the thing remains the same, but its condition, or quality, has changed, that is, has become another quality.”

This is illustrated in a conversation reported in *The Questions of King Milinda* (2003, p. 63). The King asked, “Who is born? Does he remain the same or become another?” Nàgasena Thero answered, “Neither the same nor another” thus implying the question is inadequate. He illustrated his answer as follows.

“You were once a baby, a tender thing, and small in size, lying flat on your back. Was that the same as you who are now grown up?” The King answered “That child was one, I am another.” Then Nàgasena Thero asked, “If you are not ... Is the mother of the baby a different person from the mother of the grown-up man? Is the person who goes to school one, and the same when he has finished his schooling another? Is it one who commits a crime, another who is punished by having his hands or feet cut off?” Then the King answered, “It is not.” (2003, p. 63)

A further illustration given by Nàgasena Thero concerns the case of a pot of milk which is taken from the cow, and turns first into curds, then into butter and then into ghee. It would not be right to say that the ghee, butter and curds were the same as the milk but they have come from the milk; neither would it be right to say that they are something else. Thus, Buddhism declares that in this world there is nothing that is fixed and permanent. Everything is subject to change and alteration, even though an ordinary mind conceives them all to be part of one continuous reality.

In the case of Sri Lanka Telecom, the organisation that we perceive today can be seen as another construct of the Ceylon Telegraph Department with various revisions. For researchers, it would not be possible to perceive and construct its present state in an informed way without linkages of continuous instances from its past, recent and distant. An observed instance will have some inheritance from a past moment or a few moments. For example, the present core business activities of Sri Lanka Telecom have an inheritance from the telegraphic business started at the establishment of the first department for telecommunication. The present state of the organisation is another construction by the observer from observing changes to the Ceylon Telegraphic Department as initially established. However, it cannot be said that it is the Ceylon Telegraphic Department that exists today; the Sri Lanka Telecom that we perceive today is another construction.

Based on the above illustrations, I contend that the identification of point instances of impermanence by an observer results in creating a variety of constructs of the initial entity, all with at least some different properties. From this we can argue that the “thing” that is subject to change does not have a unique identity but is taking different identities. As constructions are relative to observers, they have different properties which differ from one observer to another.

Taking the “organisation” as different constructs of observers helps to clarify the issues I had regarding the definition of the organisation in this study. As the organisation is impermanent, observers’ constructs of the organisation take varying properties. As a result, the change of the organisation should be viewed with respect to those constructs and not subject to properties of a single, existing entity. For example, I perceived changes in Sri Lanka Telecom in terms of legal ownership, the services provided, the nature of the employees working there, the nature of the context in which it operates, the technology used, and accounting practices used. For each of these changes I could arrive at, and see how other people might arrive at, different constructs of an organisation with impermanent properties. However, a different observer may have different constructs of the organisation with different attributes depending on his perceptions of impermanence.

In conclusion, I take an organisation as an ever-evolving, dynamic entity. Thus, each moment of the organisation is linked to another moment. The organisation is a continuous stream of different entities, where each entity is linked to the next entity but with properties that vary. However, one should note that the properties of the organisation are a construction of the observers that depends on their different capacities to observe changes, which vary depending on their knowledge, experience, interest and priorities. Thus, when people perceive change differently at different instances, the organisation and the properties of the organisation they perceive at each point is different. It is also possible that some individuals might share perceptions, and so some uniformity or even unanimity can arise. However, it is clear that an organisation perceived by one person in a given instance can be different from the apparently same organisation perceived by another. Therefore, what individuals perceive as change is the impermanence of their constructions and not a change of an object that exists independent of the observer.

4.5. Intervals of change/construction of time periods

All theories on organisational change assume that organisations evolve over time. These theories assume time is independent of the observer or the researcher. However, I argue that time is also a construction of individuals. From the above, we can arrive at a better understanding of how observers perceive time periods alongside the change process. Observers perceive time intervals between their constructed different entities. These time intervals are not like to be unanimous, but they are always subjective to the observer.

As mentioned in Chapter Two, Chandawimala Thero explains there is no reality called time that is independent of the observer. The concept of time is created because of the impermanence of an object, circumstance, situation or event that appears to exist and is perceived by individuals and, hence, time does not exist independently. For example, morning, afternoon and night are distinguished by individuals as they observe a change in the “behaviour” of the sun. If not for the continuous process of sunrise and sunset, people would not have the concept of a day. Similarly, people in temperate and subpolar countries have a concept of four seasons, as they observe impermanence of the weather conditions and in the natural environment, whereas in many countries near the Equator, or in polar regions, another concept of seasons may exist depending on the impermanence in the weather, in nature or in some other factor (e.g., wind directions, rainfall patterns). Thus, paddy farmers in Sri Lanka have two seasons: *Yala* (South West monsoon period) and *Maha* (North East monsoon period) indicating the paddy cultivation seasons under different weather conditions. However, these two seasons may not be important for people who are not involved in agricultural tasks. A person engaged in a job related to tourism in Sri Lanka may have seasons like “tourist season” and “off-peak season”. This shows that definitions of seasons vary among countries and even within a country; different people attach different importance to these seasons, depending on different factors. Accordingly, it can be concluded that definition of time is not universal.

Definition of time periods or stages of an organisation depends on the points in the impermanent process perceived by the researcher, the level of importance given to aspects of change by the researcher and the researched, and the capability of the researcher to perceive impermanence of a given context. For example, a change constructed by one person may not be constructed by another, or it may not be important for the other. For instance, periods defined according to the growth of the organisation, change of ownership, and changes taking place in the organisation and in accounting practices might be important to employees, decision makers or investors of Sri Lanka Telecom, whereas such time periods might not be important to the general public. The general public may observe periods according to the changes and introduction of new products and services. Accordingly, we can see that individuals define time periods according to their interests, requirements and knowledge, by taking only a few aspects into consideration.

Therefore, if we study change according to predefined time intervals, we will exclude some changes that have taken place in smaller intervals of time to which we did not pay attention. Such exclusion of events results in the creation of defined periods of time or stages of an entity, resulting in a discrete entity of an organisation. Further, if we take only the changed properties of the discrete entity into consideration, as we observed at the starting and ending points of the interval, we will ignore the continuous process of change that took place in between those two points.

Moreover, constructs of different individuals can be seen as a measure of the impermanence perceived by that individual. Individuals make constructs owing to their inability to identify the smallest change occurring continuously. Depending on the length of the interval between individuals' perceptions of changes, properties of their constructions vary. Identification of change within the smallest possible interval will help to explain the reasons for change of an impermanent construct more precisely. Otherwise, the chance of excluding important reasons for a change is high.

If we take the example of a deciduous tree in of each of the four seasons, one may observe branches of the tree without leaves in winter, with green leaves in summer and spring, and with yellow or red leaves in autumn. But if we make more frequent observations we can identify how that tree has gradually turned to the different looking tree from the beginning to the end of each season. We can observe that the tree is changing at every instant continuously. The constructions regarding why and how the tree changed between two seasons may vary from observer to observer, depending on the smallest change a person can observe. Therefore, it is important to identify events as much as possible with the shortest possible changes.

Similarly, predetermined stages or time periods, independent from the observer, will not provide good guidance for explaining change in a social construct, because of the high chance of excluding instances that are not able to be sensed by an individual. Such unperceived small instances might have a great impact on how individuals perceive impermanence and construct a change.

4.6. Problem of identification of time periods

Returning to an issue raised above, consideration of a unit at two points of time will take into account only the changes or different states observed at those two points of time. The change

is perceived as subject to the past situation but in doing so the observer ignores or is unaware of the continuous change process and some of the details of what has happened in between those two points. Thus, it may not explain the process of movement to the next point of time, but rather explains only the characteristics of the second point relative to the first point of time. Therefore, explanations of change will ignore the events that have led to the next point of time and will not explain comprehensively why and how a particular dimension of change, or the whole system, has moved from one point to another.

Furthermore, a time interval with respect to one aspect is not congruent with time intervals of change of another aspect and so one must allow for this when considering how aspects change in relation to each other. This was a key issue for me in presenting the empirical material about the context. Different sources of evidence (e.g., informants and authors of documents) explained matters about the organisation, its context and accounting practices according to the time intervals they constructed but which were different from one another. Hence, I perceived the impermanence of the organisation, its context and accounting practices at different intervals. For instance, the intervals of change I perceived in Sri Lanka Telecom did not coincide with the change I perceived in its accounting practices. My presentation of evidence under different themes at different intervals demonstrates that constructions of time intervals depend on my ability as the observer to perceive change in each aspect.

So it follows that if I, for example, focus on point instances where changes in Sri Lanka Telecom were perceived, then I would not be able to perceive all changes in accounting practices that have taken place at other point instances and their associations with changes in Sri Lanka Telecom. If we consider change in all these aspects through observations at multiple point instances, we can minimise this issue and gain a better understanding of the change process in the context. This will be discussed in Section 4.8.

4.7. Why people act differently in a given context

As explained above, individuals in an organisation construct their own entities of the organisation. How they behave will depend on their constructs. Even within the same organisation different individuals perceive change in the organisation differently and act accordingly. This explains why individuals within an organisation respond differently to a

given change in a given instant (as constructed by the researcher). How people perceive impermanence differently can be illustrated using Figures 7-9.

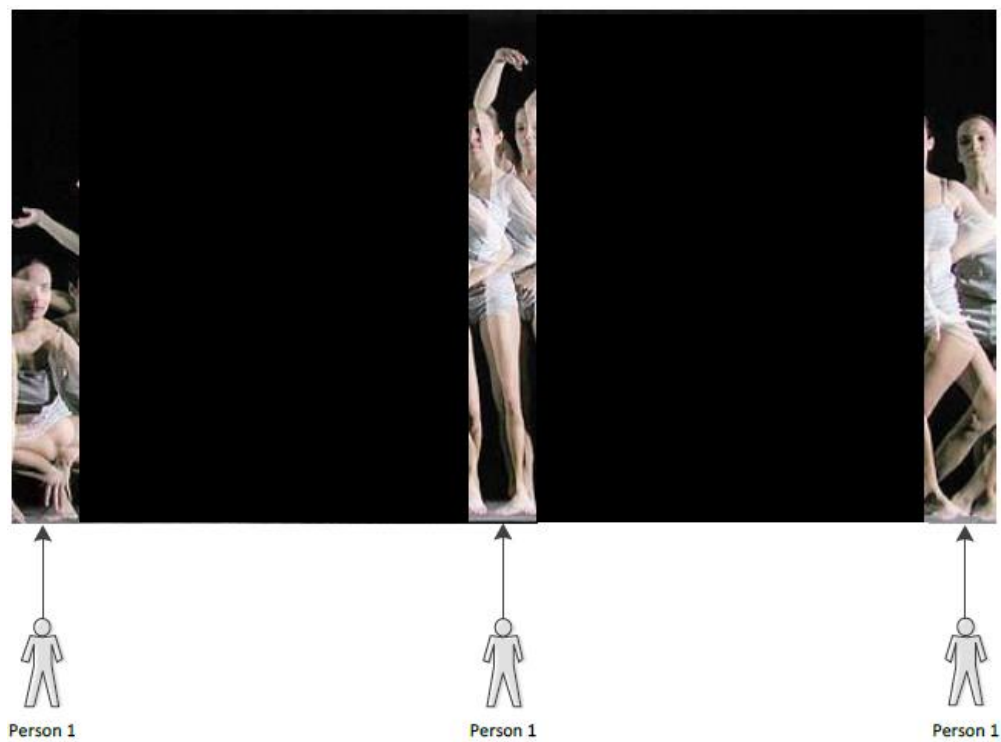


Figure 7: Construction of Person 1

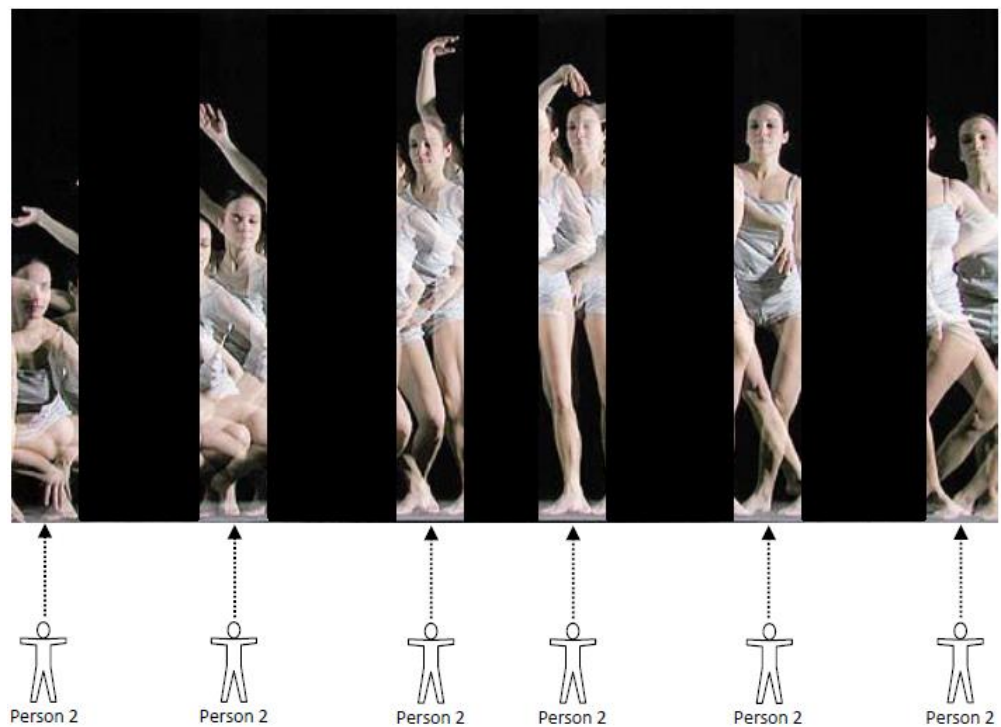


Figure 8: Construction of Person 2

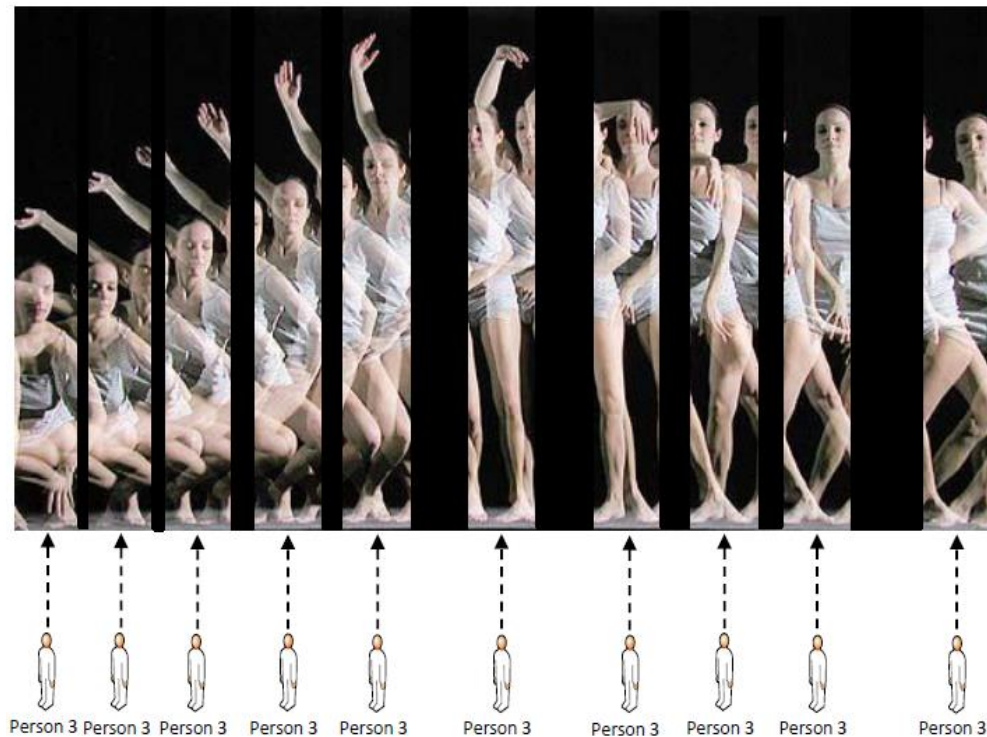


Figure 9: Construction of Person 3

Person 1 perceives three points of change, whereas Person 2 perceives six instances of change and Person 3 perceives even more instances. Thus, how those instances of change are linked to each other is differently perceived by Persons 1, 2 and 3. Person 3 can give a more comprehensive description of the impermanent movement compared to Person 2, and Person 2's perception is more comprehensive than Person 1's. Person 1 lacks much of the information in between the three point instances, whereas Person 3 has more comprehensive information about the impermanence of the movement. This shows how observers create different constructs and observe changes of those constructs by comparing one construct to another.

The same principle of an observer creating different constructs of an organisation can be used to explain how and why application of accounting practices differs from one organisation to another even under what is perceived by the researcher to be similar circumstances. In a similar way to the three persons observing in Figures 7-9, decision makers in an organisation would observe different point instances of their impermanent organisation and its impermanent context. Thus, the perception of one observer of the impermanence will be different from another's depending on what they constructed. Entities constructed by one person along the change process will mostly be different from the entities constructed by

another. Accordingly, responses to the changes identified will be different as each person perceives different causes of change in addition to their personal attitudes towards the changes they perceive. For example, I found in this study that Sri Lanka Telecom and another competitor company had different accounting practices in spite of operating in similar circumstances (the reality constructed by the researcher). Reasons for such differences might be that the decision makers of the two companies perceive the context of the respective organisations differently and perceive the need for accounting practices differently. This explains why some organisations appear to follow, or adopt, one accounting practice; and why others do not.

Similarly, a particular employee of an organisation may not perceive any change with respect to a given aspect they espy in the context in which the organisation is operating, while another employee may perceive only one or a few changes in the context with respect to another similar but different aspect or aspects. Thus, the second employee will respond according to the changes that he perceived. The first employee's behaviour will be different from the second employee as she does not perceive a change in the context of the organisation similar to the second employee. This explains why different individuals act differently or why different accounting practices can be observed in different organisations even under circumstances perceived by the researcher as similar. This is a major issue for the extant organisational change theorists. In contrast, I conclude that no world or reality exists independent of the observer. Individuals construct their own realities and act accordingly, leading to different behaviours. A researcher may construct his own reality and may observe it as different individuals acting in different ways under similar circumstances.

Thus, I argue that the observer constructs the notion of change, and any interpretation about change is relative to how he or she sees the world. When we define change as a construction of the observer, we can ameliorate the problem of reductionism and take greater account of the many factors that cause change. More importantly, by doing so we can eliminate the problem of non-applicability of the theories for all circumstances, as any context is a construction of an individual. How observers construct change about the context will be explained in the next section.

4.8. Composite change

We return again to a common issue in any theory about organisational change; that each theory attempts to explain change in terms of only one or a few aspects. As mentioned previously, when we focus on some specific aspect, we ignore what is happening in the surrounding context. This can be illustrated by using the picture in Figure 10.



Figure 10: Changes in the Context

(Source: Vloothuis, 2008)

It is a picture of three people cycling at three different speeds. It exemplifies that if observers focus on one object/aspect at a given moment, they will ignore the impermanence of other aspects; furthermore observers are not able to trace the impermanence in other aspects very clearly. The picture focuses on the person in the middle, and so does not capture the other objects clearly, as they are moving faster or slower than the person in focus. Similarly, if we focus only on one aspect and the change in that aspect is perceived at a slower pace relative to another aspect, we will not be able to perceive a change in the first object with respect to the other. Therefore, concentration on only one aspect will result in loss of information, misunderstanding and misinterpretation. However, if we can incorporate all the aspects of the context together, we can construct a comprehensive sequence of instances of change of the context, with more information that can explain how each instance is linked to another. A

change that cannot be explained in one aspect can be explained using another aspect. Therefore, I suggest that we should consider the whole context to explain impermanence in organisations and accounting practices comprehensively.

The empirical material collected regarding the context of the organisation provides evidence of various aspects of impermanence of what has affected the organisation and accounting practices. Further, the perceived change in various other aspects was observed at different point instances and at irregular time intervals. If we limit our explanation of change of an organisation or an accounting practice to only one or a few aspects of the context of the organisation, we will ignore the changes in other variables in the context and their impact over the organisation or accounting practices.

Another analogy is the tower used by Chandawimala Thero (1947), mentioned in Chapter Two. We can construct realities (e.g., an organisation, an accounting practice), assign attributes and try to explain those realities in terms of other selected aspects of the context of the organisation. Similar to the tower example, observers construct a concept called an organisation and explain its attributes in terms of other variables that can be perceived in the context of the organisation. Accordingly, the nature and the attributes of the organisation depend on how an observer perceives the context. Similar to the river example mentioned at the beginning of this chapter, a reality at a given point in time is a construction of an observer. It comprises a series of moments of different aspects of the context, where the observer understands the organisation in terms of what he perceives. Thus, whereas change explained in terms of only one or a few aspects of change will present only a partial explanation, substituting impermanence for change and considering multiple aspects at frequent point instances presents an explanation greater comprehensiveness.

Hence, I found that application of extant organisational change theories are not adequate to explain this complex nature of change, because each theory explains only a part of the change process. If we concentrate on only one aspect of change, we will ignore change in other aspects. Thus, selection of a single or only a few predetermined aspects to study might exclude important turning points in perceiving the impermanence of the organisation and would lead to partial and probably misleading conclusions. Studies on accounting change, rather than confining their scope to a few aspects of the context of the organisation, should instead investigate the context of the organisation as a whole. However, even when we

observe change in the context, we will not perceive changes in each aspect in similar point instances owing to limitations in our perceptions.

How three different people perceive impermanence of a single object was illustrated in Figures 7-9. These figures focus on only one moving image, whereas, when looking at what we call organisations, we will perceive impermanence of many objects/aspects in the environment in constructing a reality. Similarly, other individuals construct a reality of what is usually regarded as the same organisation, and assign attributes to the organisation they constructed according to what they perceived in the environment. To explain the complex nature of change, I have attempted to improve the initial explanation about change shown in Figures 7-9 by incorporating many other aspects of change. My attempt is illustrated in Figure 11. It shows an observer's perception of impermanence in Technology, Employees and Accounting. As shown previously in Figure 5, change is a continuous process of point instances. Points of change in an aspect of the context of the organisation are shown by vertical lines. However, in practice, observers would not be able to perceive this change process fully (i.e., all point instances). If the observer had focused on only one aspect of the context, then she would have perceived only a limited number of changes with lengthy intervals between. Thus, explanations based on only one aspect would result in information gaps. However, by incorporating observations of other aspects of change, she was able to close these information gaps to a certain extent, and offer a relatively comprehensive explanation of the impermanent process and how each instance is linked to others, as shown in the bottom line of the figure, labelled Combined.

If we pay attention to the context as a whole, even if we do not perceive a change in one aspect of the context, a change perceived in another aspect may help to explain change. If we focus on only one aspect and do not perceive all changes in that aspect, then outcomes of the change in the context cannot be explained in terms of the aspect that we are focussing on. In the example shown in Figure 11, if we are concerned only about technological change of the organisation and change in accounting practices, we will not perceive the change in accounting practices due to change in employees, that is at points E_1 , E_2 and E_3 .

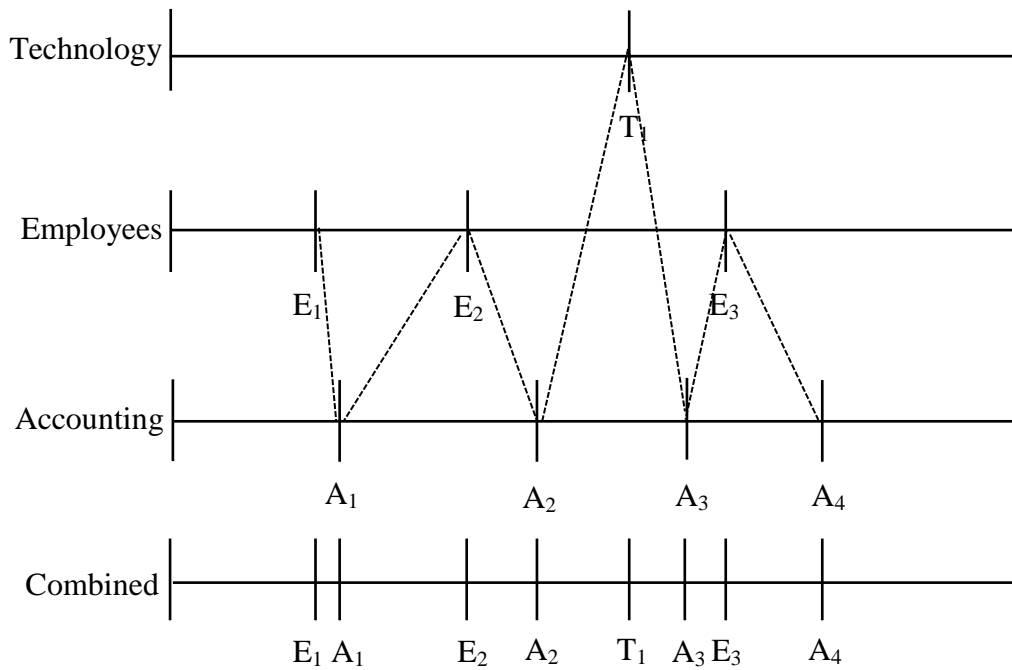


Figure 11: Change in Different Aspects

Therefore, we cannot explain the change perceived in accounting practices at points A₁ and A₂; and it will appear that, even without a change in Technology, accounting practices have changed twice. The change perceived at A₃ may be explained in terms of the change perceived in Technology, although it may also be a result of changes in employees. The dotted lines show how we can explain change using perceived changes in each aspect.

The bottom line shows the overall perceived change in the context, which is more frequent. Thus, we can explain impermanence more comprehensively as we perceive impermanence in various aspects and in the context. Accordingly, I will explain change in accounting practices as a sequence of instances in various aspects in the context. Change that is seen in this way can explain impermanence in accounting practices more comprehensively.

4.9. Importance of understanding change as impermanence

This section discusses why it is important to understand change as a dynamic process that flows from one point instant to another, constructing different entities of the organisation under consideration.

First, impermanence of things explains how individuals construct their own realities subject to their perceptions, providing an understanding that there are no objectively existing organisations or accounting practices that are independent of the observer. It explains that the organisations or accounting practices are constructions of individuals and individuals

perceive change of what they constructed. As these constructions are different between individuals, they perceive change in organisations or accounting practices differently subject to their constructions. This helps to explain why researchers observe different organisations' change differently and have different accounting practices even under similar circumstances.

Second, when we perceive change as a sequence of point instants, we can explain the links from one point instant to another. This is in contrast to change as a comparison of two given points with an interval in between. If we try to explain the change between the two given points in time, we will ignore what has happened in between the points because of a lack of information. Alternatively, if we look at the change process as a continuation of point instances, reasons for change can be well explained.

Further, the conclusions I made concerning how individuals construct the concept of time and time intervals in perceiving change, enables me to present the empirical evidence regarding the perceived changes in Sri Lanka Telecom in different dimensions at irregular intervals, and at different times for each dimension. This helped me to understand the change in accounting practices that I perceived at different intervals, which was different from the intervals of change that I perceived in other dimensions. Moreover, as I have perceived changes in all aspects (known to me) together, one can see more frequent changes in the context as a whole, leading to a more comprehensive explanation of the impermanence of accounting practices. This is in contrast to observing changes in only one or a few predetermined dimensions with lengthy intervals of change, which does not explain change in accounting practices comprehensively. Accordingly, this new framework can explain how we can understand change in accounting practices relatively comprehensively in terms of varying properties of the context and vice versa.

4.10. Summary

In conclusion, this chapter demonstrates how one can apply the concept of impermanence to explain the nature of change, where every duration in time consists of point instants following one another, and every extension in space consists of point instants emerging simultaneously and in contiguity. This is instead of using the concept of change along a time and space continuum. While “things” undergo processes of a dynamic momentary change, observers construct the “entity” they are observing differently.

As I take anything that is deemed to be existing as a construction of individuals, I do not identify a discrete entity of an organisation that exists independent of the observer or the researcher. Depending on the capacity of the observer to perceive the smallest instant of change, observers create different constructs of the initial entity with varying properties. These constructions are different from one observer to another. Thus, the change perceived by one observer is different from another, and their responses to change are different.

In contrast to other organisational theories, which reduce the causes of change to only one or a few aspects, the framework that I will be using will consider the context in which the organisation is operating as a whole. I found that the predetermination of factors causing change in accounting practices may prevent researchers from seeing other influences and limit the scope. Rather, it is important to look at the impermanence of every aspect in a given moment. The integration of such moments from every aspect will better explain how individuals perceive change in accounting practices in a given context. By doing so, I can perceive the change process relatively comprehensively, as many aspects are used to see the links between instances of change.

Further, I have shown that construction of different entities and perceiving changes of those constructed entities leads to identification of time periods by observers. As these time periods do not exist independent of the observer, I have demonstrated that the study of change in between predetermined time intervals will prevent the observer from perceiving what has happened in between those identified point instances. In contrast, I have established that it is more beneficial to perceive change as a construction of continuous point instances where observers perceive instances of as many as changes as possible. Accordingly, one can perceive impermanence in a very detailed manner.

These ideas allow me to process and present empirical evidence regarding Sri Lanka Telecom, its context and accounting practices. The next chapter presents the change that I perceive about Sri Lanka Telecom and its context.

Chapter 5

Knowledge Constructed about Sri Lanka Telecom and its Context

The purpose of this chapter is to present evidence from Sri Lanka Telecom to substantiate and elaborate on the concepts developed in Chapter Four including demonstrating their application. As foreshadowed in the previous chapter, I argue that knowledge about the impermanence in accounting practices is a construction of individuals, as is how they understand the impermanence of circumstances and events identified as accounting practices. That is, individuals do not observe an organisation or an accounting practice that exists independent of the observer although they perceive it that way, that is, as independent. Hence, I argue that we should not reduce causes of change to only one or a few selected factors when constructing knowledge about change, as different people perceive change differently subject to their interests, experiences and knowledge.

Accordingly, in the this chapter, using the evidence I observed, I illustrate that Sri Lanka Telecom has not been developed in isolation and that it has been impermanent in terms of various aspects. Further, I show that the knowledge about change in Sri Lanka Telecom is a construction of observers, and researchers cannot arrive at a knowledge that is independent of observers. Using the documentary evidence, direct quotes from interviews and personal views expressed by informants I demonstrate that the different people who provided evidence for this study perceived the impermanence in Sri Lanka Telecom and its context differently and that they attributed the change to different causes or conditions. Furthermore, I show that individuals construct their own realities of Sri Lanka Telecom, with different attributes, subject to what they perceive. From the evidence collected, I identified five interrelated main themes, depicted in Figure 12. I chose these broad aspects by reviewing articles about Sri Lankan telecommunication industry and information obtained from the informants. As my construction is merely based on the sources that I referred and how I perceive them, it may differ from a construction of another researcher who may utilise different or even more sources and would perceive more changes and identify more themes.



Figure 12: The Context of the Study

In constructing my knowledge about the change in Sri Lanka Telecom, I collected evidence from various sources about the organisation and the context in which it has been and is operating. Accordingly, this chapter presents the knowledge that I constructed using that evidence about change in the organisation and its context. I tabulate the change I perceive in a time line by the five main themes, and present a description about these changes. My aim is to provide the reader with background knowledge necessary to understanding the matters covered in Chapter Six. This chapter is in four sections. The first section (5.1) presents a summary of the context of Sri Lanka from before the British colonial period until recently. The second section (5.2) summarises significant developments that have brought about change in the global telecommunications industry. The next section (5.3) summarises the changes in the accounting profession in Sri Lanka. The fourth section (5.4) discusses details of Sri Lanka Telecom along with the telecommunication industry in Sri Lanka from its inception in 1858 to date.⁹ In that fourth section, I describe how I perceived the global and local environmental changes - economic, political, social and technological - and their impact on Sri Lanka Telecom and vice versa. I explain the change perceived in accounting practices in Chapter Six.

The reason for covering the matters in this chapter is that, even though this study focuses on accounting practices of Sri Lanka Telecom (as are dealt with in Chapter Six), I learnt that

⁹ Until liberalisation of the industry in the 1990s, Sri Lanka Telecom *was* the “telecommunication industry” in Sri Lanka.

these practices and the organisation have not developed and do not develop in isolation. Further, due to the limitations in collecting evidence and observing changes, evidence from various aspects of the context will help to understand changes that cannot be understood if only considering one aspect. Accordingly, Section 5.4 also aims to uncover and examine links among the various aspects just listed.

5.1. The context of Sri Lanka

This section outlines the circumstances and events in Sri Lanka. I pay special attention to the British colonial era, from about 1800, and the period from official political independence, achieved in 1948, to date. These circumstances and events are important because of the introduction of and changes to telecommunication facilities, the evolution of which is linked with the economic, political and social changes that took place over these periods. Specifically, the British Administration and the needs of its officials led to the introduction of telecommunications in Sri Lanka.

As explained in Chapter Two, evidence regarding the organisation and its context are drawn from documents listed in Appendix 1. For instance, the knowledge constructed in this section is based upon a wider range of documentary materials (such as Blaze, 2008; Codrington, 1939; Corey, 1996; De Silva, 1953; De Silva, 1962; Department of Census and Statistics, 2009; Fernando, 2008; Groves, 1996; Institute of Policy Studies of Sri Lanka, 2009; Jones & Selvaratnam, 1970; Kelegama, 2006; Kularatne, 2006; Ludowyk, 1966; Mahanama Thero, 2007; Mendis, 1957; Mills, 1933; Roberts, 1970; Samarawickreme, 2005; Schrikker, 2006; Siriweera, 2004; United Nations Development Programme, 2011a; United Nations Development Programme, 2011b; Zeylanicus, 1970) and reports of the Central Bank of Sri Lanka. Knowledge of developments in Sri Lanka Telecom over the past 25 years has been derived from interviews as well as from documents. It was important to collect evidence from all these sources as each source was limited to a given aspect of the context of the organisation and to a given period of time. Further, the documentary evidence mostly discussed events that were significant to a particular period of time. For example, documents about the British colonial period discussed the economic and administrative changes that took place during that period, whereas information about the period after 1977 highlighted the changes precipitated or made possible by the introduction of open market economic policies. Likewise, each source of information discussed different aspects of the context of Sri Lanka at different periods of time.

In this section and subsequent ones, I attempt to arrange the information that I collected in a timeline grouped under various aspects. Accordingly, the evidence presented in this chapter is a construction of mine, interpreted from the changes perceived by different individuals based on their knowledge, interests and experiences. Table 3 depicts the occurrences of the change I perceived in the organisation, its context and in accounting practices (presented in Chapter Six).

Table 3 is divided into individual years. Most of the information about Sri Lanka Telecom up to the late 1960s has been gleaned from Annual Reports and Administration Reports sent annually to the Colonial Office in London. These reports include details of specific incidents that took place during each report year. Due to historical information being obtained from annual reports, I used a year as the shortest possible point in time in observing an event. However, due to the limitations in my ability to observe, irregular publication of various documents and in the ability of their authors to observe and report on changes, observed changes in various aspects of the context are at irregular and different time intervals.

As can be seen in Table 3, even if I was not able to perceive a change in one particular aspect over a certain period of time, I may have perceived changes in other aspects within that period. This table clearly illustrates that the organisation or its context was never static during this long period of time. At least one aspect of the context has changed at various points in time. Thus, if we consider the whole context together, we can see that it has been continuously changing. Consideration of all aspects in the context of the organisation can be used to close the information gaps in a single aspect. I have discussed that we cannot define periods of change based on a particular variable of change because, within that period, at least one variable in the context of the organisation may change. However, I have grouped the evidence collected and summarised into periods to make it easier to present the information to the reader. The periods identified in this study were not predetermined before collection of information, but are based on the important events of each aspect. An example of this follows next: that is, the context of Sri Lanka is based on the types of political administration.

Table 3: Combined Changes in the Context and in Accounting Practices[illegible][illegible][illegible]

	Government Department													Sri Lanka Telecom Corporation	Sri Lanka Telecom																	
Year	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Context of Sri Lanka																																
Global trends in telecommunications																																
Accounting profession in Sri Lanka																																
Telecommunications in Sri Lanka																																
Accounting practices in SLT																																

5.1.1. Sri Lanka as a monarchy (377 BC – 1505 AD)

Long before colonial rule, Sri Lanka had matured into a single Sinhalese Buddhist civilisation. By the fourth century BC, it was a kingdom, but with a decentralised administrative system, featuring chiefs of sections (*Epa* or *Mapa*), chiefs of regions (*Ratiya* or *Ratika*) and chiefs of villages (*Gamika* or *Gamladda*). Even that long ago, the economy was mainly based on agriculture, in particular paddy cultivation of the staple, rice; and irrigation was used to support these agricultural activities. The villages were self-contained and self-sufficient. The people of each village were attached to each other collectively and cooperated in economic activities, especially in paddy growing. Working for a salary was uncommon. The lifestyle of people was driven by the Buddhist religion. The literacy of the people of the Anuradhapura kingdom (377 BC–1017 AD) was at a reasonably high level. For example, people who visited the Sigirya (Lion's rock; an ancient rock fortress and palace) during this period scribbled verses about the Sigiri frescoes in the Mirror Wall. This high literacy level has continued uninterrupted.

Not everything was stable and without conflict, however. South Indian invasions took place from time to time, and there were internal political issues in the latter part of the monarchy that destabilised the country politically. It was the unstable political situation within the Sinhalese Kingdom in the sixteenth century that created an opportunity for Portuguese Government representatives and traders to intervene in the administration of the country.

5.1.2. The colonial era (1505 – 1948)

Successive representatives of European countries, namely Portugal, the Netherlands and Great Britain, administered part or the whole of Ceylon or Sri Lanka during this era. Colonial administration accompanied Europeans being involved in commercial, missionary, and related activities. At first they grew spices, for example, pepper, cinnamon, nutmeg, cardamom and cloves, and obtained goods for sale from Sri Lankans, such as gems, pearls and ivory. These activities expanded into plantation, economic, education, military and religious activities. Alongside these activities was the birth of a postal service (1832), a telegraph service (1859) and telephones (1880), initially to support colonial administration and commerce, and eventually to enable personal communication, including among Sri Lanka's emerging elite. During the Second World War, just before the colonial era ended, there was significant development in the telecommunications industry. Sri Lanka then

became a sovereign state, and inherited wide-ranging administrative, economic, social and technological institutions from the British, as explained in the following paragraphs. These institutions are important to the study of Sri Lanka Telecom's establishment and how it was run until quite recently. An outline of events from 1796 to the present is presented in Table 4. The following sections describe and analyse events in more detail.

Early Influence of Europeans

At the turn of the sixteenth century, colonial agents began to interfere in the administration of the country. The Portuguese were the first. In 1505 they established a form of colonial administration covering part of the present country. A Dutch administration followed in 1653 and this lasted until 1796, when Britain took over control of the coastal areas without much difficulty.¹⁰ Studies of the period conclude that neither Portuguese or Dutch seriously intervened in the prevailing social system (Mendis, 1957).

The British Colony

The British administration took over the colonial arrangements established by the Dutch. Officially Sri Lanka only became a British Colony in 1815, on the signing of a treaty known as the Kandyan Convention, with Kandyan headmen. British rule lasted for nearly 150 years. Within a few decades of taking over, the British had changed the entire system of governance from that prevailing in 1815, including setting up an Executive Council and a Legislative Council in 1833 and an administrative system covering Sri Lankan natives (Mendis, 1957).

The Executive Council was headed by the Governor and comprised another five members whom he appointed, namely, the Colonial Secretary, the Attorney General, the Auditor General, the Treasurer and the General Officer Commanding, all of them British. It exercised executive powers and advised the Governor. At the beginning, lack of knowledge of the Ceylon administrative system, the need to gain control of the Sri Lankan people easily and the need for a common administrative system in colonial countries might have been some of reasons for the introduction of an administrative system aligned with the British legal system.

¹⁰ The British action was taken under the Kew Letters of 1795, written by the Dutch monarch in exile in London. The Dutch colony was supposed to be in the safekeeping of Britain but was not restored to the Dutch after the Napoleonic War ended in 1815.

Table 4: Perceived Changes in the Context of Sri Lanka

Year	Economic, Political and Socio-Cultural Changes in Sri Lanka ¹¹
1796	Britain asked by Dutch Government in exile to assume responsibilities for Ceylon; British East India Company act on behalf of British Government
1800	Madras Office of British East India Company controlled the country and military activities; Department of Public Works, Land Registry and several other important departments established
1801	Independence from British East India Company; Board of Revenue and Commerce established
1815	Ceylon became a British Colony, administered from London Colonial Office; Country divided into 9 provinces
1818	Rebellion against the Colonial Government
1820	Start of road construction
1823	Coffee plantations started in Kandy - rapid development in region
1830	Salaried administration system introduced; Change from a personal hierarchy of chiefs to British bureaucratic system; population just over one million
1831	Roads constructed to connect important towns
1832	First mail coach in Asia from Colombo to Kandy
1833	Colebrook Reforms introduced; Unified administration; Common system of law; Laissez-faire economic system
1835	Britain reduced import duty on Ceylon coffee
1839	More financial control assigned to Legislative Council
1841	Ceylon Bank opened; Discussions on imposing taxes to fund public work
mid 1840s	Committee for the Review and Consideration of Colonial Reports on Finance and Commerce in Ceylon appointed
1847	Coffee plantations destroyed due to a disease
1848	Rebellion against the Colonial Government
1850	Resistance to westernisation by Buddhist monks; Development of infrastructure to support plantations; Developments in plantations, communications and trade; Growth of towns
1858	Ceylon Railway inaugurated
1859	Morse telegraph introduced
1861	Enactment of Joint Stock Companies Ordinance
1865	The Ceylon Railway established
1867	More financial control assigned to Legislative Council; Railway to Kandy completed
1868	Colombo-Kandy railway completed
1871	Buddhist schools established
1880	Telephone introduced
1884	Ceylon Currency Board established
1890s	Colombo harbour expanded; Sri Lanka relatively wealthy compared to other Asian countries so able to maintain infrastructure in rural areas; Middle class growth in urban areas expanded as a result of plantations and communications; Creation of an educated class to provide administrative services and professional services
1903	Rapid economic development; Complex administration; Reforms to the Legislative Council; More departments created

¹¹ Arrows in the table indicate events that had an impact over a number of years. The table is to help the reader appreciate the links among these different aspects and conditions, and their complexity.

Year	Economic, Political and Socio-Cultural Changes in Sri Lanka
1908	Reforms in Legislative Council demanded
1931	Donoughmore reforms; Universal suffrage (male) in Sri Lanka
1932	Sri Lanka was among first Asian countries to recognise women's suffrage
1938	Divisional Revenue Officers replaced Chiefs; Enactment of Companies Ordinance
1942	British used Ceylon as a centre during the 2 nd World War, infrastructure improved
1945	Free education system introduced
1946	Soulbury Constitution
1948	Dominion status granted; UNP Government (three prime ministers) – strong relationships with Western countries; Agricultural economy; >50% of 6.7 million population engaged in agricultural activities
1950	Central Bank established replacing the Ceylon Currency Board
1955	Became a member of UN
1956	Mahajana Eksath Peramuna (alliance led by SLFP) Government; Import substitution industries introduced; Development of agriculture; Relationships with socialist countries; Sinhalese language declared as official language
1958	Wealth and Gift taxes introduced to reduce inequality in income distribution; Private transportation and cargo handling nationalised
1959	Private sector encouraged to engage in development activities
1961	Ceylon Petroleum Corporation incorporated; Government took over Bank of Ceylon; Trade and financial controls and restrictions
1964	Government took over Insurance Corporation
1965	UNP Government; Export oriented industries introduced; Government borrowed US\$30 million from International Monetary Fund for the first time
1970	SLFP Government; Import substitution industries introduced; New state corporations incorporated
1971	Population 12.7 million
1972	Sri Lanka became a republic
1974	High budget deficit, crisis in balance of payments, low income growth rate, high unemployment
1977	UNP Government; Open economic policies introduced – inequality of income distribution widens; Focus on raising standard of living, accelerating economic growth within competitive market structure; Private sector participation encouraged; New constitution with strong executive powers of the President
1978	Executive Presidency system introduced; Greater Colombo Economic Commission established
1980	First structural adjustment loan from World Bank
1981	Population 14.8 million
1983	Start of Terrorist war
1984	Internet facilities introduced
1987	Provincial Councils established - powers of Central Government devolved
1988	Industrialisation policy with diversified industries and geographical spread
1989	Poverty alleviation programme introduced
Late 1980s	Reduction of export diversification led to decreased Government revenue; Sought other revenue sources, mainly from privatisation; Less private sector investment
Early 1990s	Attempts to attract foreign investments; High budget deficit - could not allocate capital expenditure to develop infrastructure
1992	Greater Colombo Economic Commission reconstituted as Board of Investment; Department of Customs introduced automated data processing system
1994	SLFP (alliance) Government – “Open economy with a human face”, liberalised economic policies continued; First budget planned to reform publicly owned gas, telecom and airline enterprises

Year	Economic, Political and Socio-Cultural Changes in Sri Lanka	
1995-98	Significant increase in war expenditure	
1996	Public Enterprises Reforms Commission established; Year of Productivity; Decade of Productivity	
1999	Improvement in equality in income distribution	
2001	Negative economic growth for the first time since independence	
	UNP Government; Population 18.7 million	
2002	Electronic Data Interchange introduced	
2004	United People's Freedom Alliance Government; Emphasis on contribution of small and medium enterprises to growth of GDP	
2006	Ten-year Development Framework to implement large scale infrastructure projects	
2009	End of Terrorist War; Development projects in North and East provinces	

This is not clear from any contemporary history in Sri Lanka, but was not uncommon elsewhere in the British empire.

The situation of Sri Lankans was transformed from a localised form of government with a hierarchy of chiefs, to a bureaucratic administration, headed by the Governor in Colombo (see map in Figure 13), and ultimately, the King/Queen of the United Kingdom of Great Britain and Ireland in London. The Governor was responsible for the administration of the country and made routine reports to London.¹² For some decades, top administrative positions were held by British nationals. Some indigenous people began working in support positions to the British and were involved in administrative activities, such as collecting taxes from villages. New institutions were established and new public services were inaugurated. Increasingly these were staffed by Sri Lankans, but with British officials as their head, and so the concept of working for a salary in the civil service emerged. Further, infrastructure was developed and trading systems were overhauled. All these developments supported the administration of the British colony and commercial gains for British concerns, especially from the plantation sector (Mendis, 1957).

Regarding financial control, the Constitution of 1833 and revisions to it in 1839, 1867, and 1903 increased financial control and provided the Governor with wider powers in order to satisfy British interests. This was part of the British gradually executing their own laws and regulations that mirrored those prevailing in London and elsewhere in the Empire, as alluded to on p. 102. Assignment of more financial control to the Legislative Council was included in revisions to the constitution. This can be seen as a step taken to facilitate the growing business needs (see p. 109) in Sri Lanka by that time, and allowing the Colonial Government to make timely decisions instead of having to wait for decisions from London, which were often exacerbated by communication delays: this was several decades before the introduction of international telephone services in 1935.

¹² These were called Administration Reports and were sent annually except for the two World War periods.

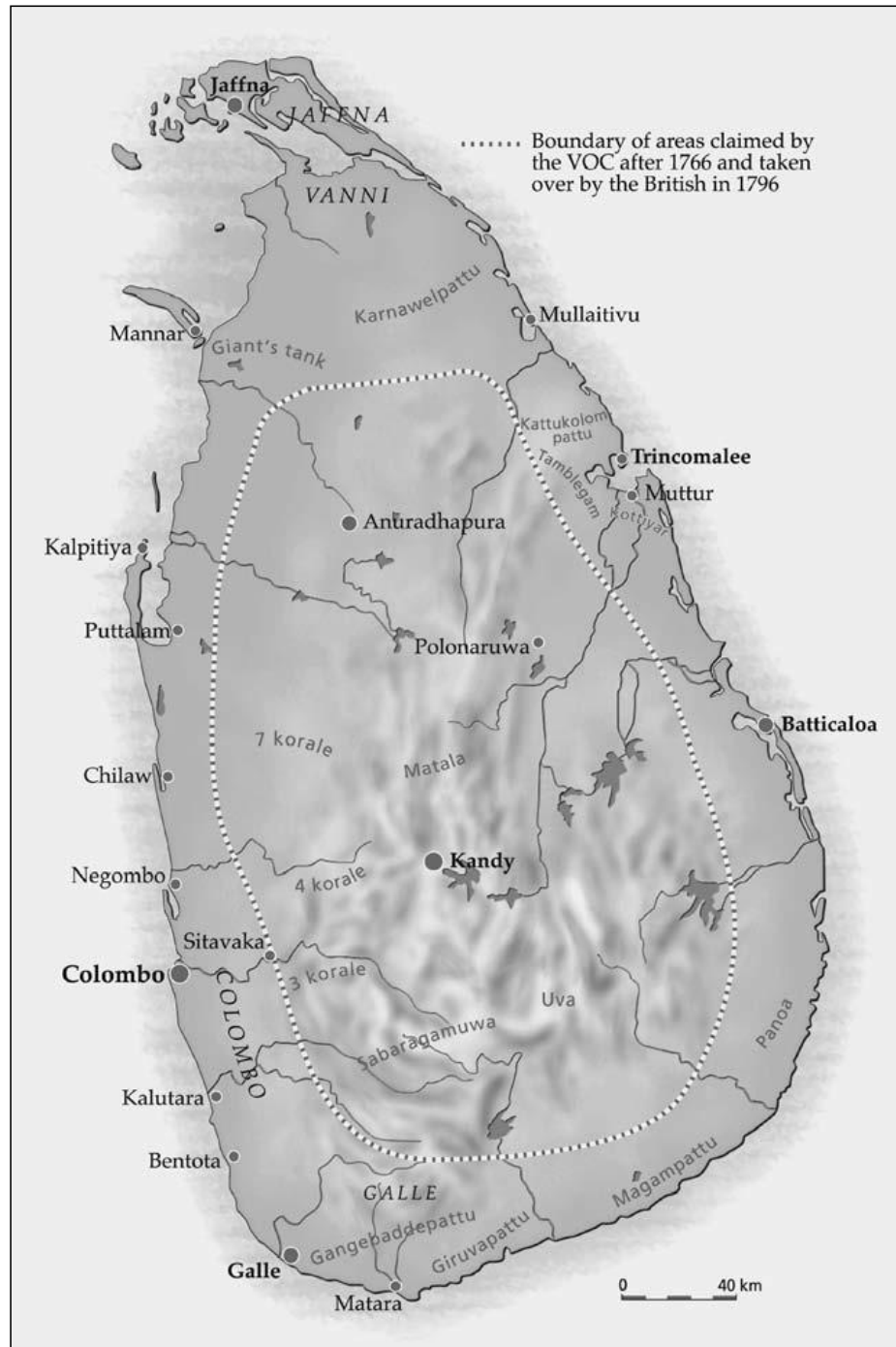


Figure 13: Map of Ceylon
(Source: Schrikker, 2006)

The economy and economic infrastructure under British Rule

As indicated above, ancient and early colonial Sri Lanka was known for growing rice and spices such as cinnamon, cloves, cardamom both for subsistence and for export purposes. However, as a British colony, tea became the most popular export, satisfying a high demand in Britain and elsewhere in Europe. Various other crops

were also grown, especially rubber, cinnamon and coffee. The plantations were concentrated mainly in hill country areas. The trees, seeds, etc., were introduced by the British from China, India (specifically tea) and Brazil (rubber).

The plantation economy had serious implications for the society and culture of Sri Lankans. It transformed their country from a traditional agricultural economy, in which trade was limited to importing goods such as velvet, silks, ceramics, horses and glass bottles, and exporting gems, pearls, ivory, elephants, valuable wood and spices. A commodity producing, export-oriented economy arose, which depended heavily on other economies nearby and in Europe. The gradual reduction of paddy cultivation resulted in the need for Sri Lanka to import rice and other essential food items, as is the case today (Corey, 1996). Expansion of commercial plantations created a “middle” class of traders and other occupations: landowners, planters, transport agents, contractors and businessmen. The administrative structure and the legal framework, including accounting bodies created by the British Colonial Government, were mainly focused on supporting the growth of the plantation sector. The sector was in the hands of British companies whose interests were looked after by British managers. The labourers employed in these plantations were brought from South India, a practice that continued from the Dutch period, as the locals preferred to work on their own land rather than in plantations. As the colonial period proceeded, towns were created around the few cities that already existed, which themselves grew significantly, particularly Colombo; and those areas became more influential than other rural areas.

In the early nineteenth century, the British Colonial Government developed infrastructure such as railways, roads, telecommunications and harbours. The main objective was to support the plantation economy, the military and other administrative activities. This objective resulted in infrastructure and other public activities being restricted only to plantation regions of the country and Colombo. Under British rule, Colombo received the bulk of new infrastructure, including a harbour. As such, Colombo developed as the centre of trading, administrative and service functions within the country. However, there were some infrastructure developments in other towns, where plantations were located and other trading activities took place, such as Galle, Trincomalee and Kandy. Elsewhere, rural poverty prevailed. This poverty was in stark contrast to before the colonial period, when villages were concentrated along

river valleys that were more than able to support the agricultural lifestyle of people. Thus, the plantation economy changed the way of life prevalent in the country.

Despite the increasing availability of capital from the expansion of export trade during the early colonial period, the main source of funding for the development of infrastructure was the tax revenue collected from local people. The taxes that the British imposed on locals were heavy. Examples were taxes on paddy and grain, dogs, shops, boats, carriages, bullock carts and road ordinance. Some additional funds were received from the Colonial Office in London. Meanwhile, most of the income that this infrastructure permitted to be generated by plantations was remitted to Britain to cover the allegedly high cost of plantations.

The British Colonial Government needed an effective financial control system in order to manage the capital earned from plantations and the revenue earned from taxes. As early as 1801 (i.e. before the Kandyan Convention), it set up the Board of Revenue.¹³ A further development was that the first bank in Sri Lanka, using the British system, was established in 1841 to support the financial activities related to plantations. Moreover, there was a need for improved financial control systems to support the growth needs of business organisations owned by British people. Examples of these are House of Cargills (1844, a general warehouse and import and wholesale business), Aitken Spence (1868, trading and maritime services), E. John & Company (currently known as John Keells Group – 1870s, tea production and export), Ceylon Cold Stores (1894, carbonated drinks), Ceylon Brewery (1910), Ceylon Boot Manufactory (1923), American Engraving Works (1936) and Unilever (1938). These business organisations were located in Colombo, whereas the plantations were mainly located in Kandy, Badulla and Matale districts.

The British used Sri Lanka not only for plantation development but also as a regional centre of their trading and political activities in Southeast Asia. This is exemplified by events during the Second World War. Sri Lanka was situated in a strategically important point for the British Royal Navy, when fighting with the Japanese. The

¹³ The Board of Collectorship was abolished and Agents of Revenue and Commerce were appointed to various districts under the Board of Revenue.

British used Sri Lanka and the port at Trincomalee as a centre for their operations in Southeast Asia. Sri Lanka benefited during the Second World War from the British having to improve the infrastructure of the country for its strategically important role. According to the Administration Report for 1945-46, post and telecommunications became the first priority after war was declared. Health services and other facilities to support the large number of troops were improved. Thus the standard of infrastructure had improved by the end of the war.

Society and social infrastructure under British rule

By the mid-nineteenth century, a new society had emerged on the back of the colonial administration, the plantation sector and urban-rural change. Strict regulations separated the rulers from the ruled, creating a class division in society which had not existed before colonisation by Europeans. British officials of the Ceylon Civil Service were at the top of this social pyramid. The introduction of a British education system added to this change in Sri Lankan society. The British established schools with English language being the medium of instruction, a medical college, a law college and technical colleges in the late nineteenth and early twentieth century to train local people, as it was cheap to employ the locals and difficult to attract Britons to work in India and Sri Lanka. Most of the children of families (owners) in the expanding plantation sector were sent to these schools. The British promoted local people who had studied at British schools in Sri Lanka to high administrative positions.

By the end of the nineteenth century, the middle class had become more powerful and influential, and developed a national spirit united against governance by the British. As a result, several reforms were introduced which gradually gave more representation to the locals in administration until Sri Lanka gained independence in 1948.

A socialist movement, especially Trotskyism, grew among the people who had received a higher education in London during the late 1920s and early 1930s. During this period, the Sinhalese upper class was given some opportunity to get involved in the administrative system, and, to some extent, representation on the Legislative Council. The Donoughmore reforms in 1931 introduced universal adult (male) suffrage, which was a major turning point in the political environment in the country. In 1932, the country became the first in Asia to give women the vote. The free

education system was introduced in 1945, which allowed everyone access to the secondary education system that the British introduced in 1815.

During the 1870s, Colonel Henry Steele Olcott, an American and cofounder of the Theosophical Movement, supported the campaign against the British and established Buddhist schools with a nationalist view. The objective of establishing these schools was to provide Sinhala students with an English education but with Buddhist values. The British syllabus was taught along with Buddhist culture, but it lacked the Sinhalese culture. Even the Sinhalese language was taught in the English medium of instructions during those days.

Implications of teaching in English can be seen even today. For example, English language proficiency is a key requirement for managerial jobs in business organisations, especially in the private sector. Thus, most university degree programmes and other professional examinations are conducted in English. In particular, candidates who had qualified with professional accounting examinations in the United Kingdom were given more priority in recruitment before independence and even today this practice continues. Almost all informants in this study used English technical terms even when interviews were conducted in the Sinhalese language. This is because they are not familiar with Sinhalese technical terms which might exist. Most of the informants in managerial positions preferred to conduct interviews in English. All management reports of Sri Lanka Telecom are prepared in English.

5.1.3. From independence in 1948 to 1977

During the Second World War Sri Lankans demanded independence to compensate for the support they were giving the British. Britain granted Sri Lanka dominion status in 1948, and a parliamentary system was introduced. At the point of independence, the Executive Council, which had existed since 1833, was replaced by the National Cabinet. Executive powers were held by the Ministers of the Cabinet, which was led by the Prime Minister. However, the head of the state was still the British sovereign, who was represented by the Governor in Sri Lanka. The Governors in Sri Lanka were Britons until the first Sri Lankan Governor was appointed in 1954. The highest court of appeal of the country was Britain's Privy Council. The country was declared to be

a republic in 1972, and the position of Governor was replaced by that of a President (in a ceremonial role).

Since 1948, the country has been governed by two major parties, namely, the United National Party (UNP) and the Sri Lanka Freedom Party (SLFP) both of which have led coalition governments at one time or another (see Table 4). After independence in 1948, the UNP headed the first elected government. Most of the members of parliament were the same people as had been local members of the legislative council in the British period.

Governments led by the UNP since 1948 to the present (1948-1956, 1965-1970, 1977-1994, 2001-2004) have been committed to a capitalist mode of development with the support of the private sector. The period immediately after independence was characterised by the continuation of the British administrative structure with the English-educated class dominating. The UNP governments maintained Sri Lanka's diplomatic relationships with the United States of America and European countries, especially with the United Kingdom, through agreements on defence, external affairs and membership of the British Commonwealth. These diplomatic relationships facilitated an inflow of foreign funds for the development of infrastructure and the business sector. UNP governments planned economic policies with more private sector participation, encouraging the private sector to take part in infrastructure development. UNP governments have partially adopted liberalised economic policies and experimented with export-oriented industrialisation.

The SLFP has led governments in the periods between those just listed for the UNP. They have been generally characterised by nationalist political and economic policies (e.g., the SLFP was in power when the republic was declared), a high level of government involvement in economic activities, and emphasis on improving infrastructure for the development of the agricultural sector. SLFP-led governments maintained strong relationships with countries with a socialist orientation and received the support of Soviet, Eastern European and Middle Eastern countries. SLFP governments took steps to reduce the inequality of income distribution, imports were strictly controlled and the country gradually shifted to Import Substitution Industries. This latter policy was mainly initiated to reduce Sri Lanka's foreign dependency through producing industrialised products locally.

SLFP governments nationalised several services (e.g., cargo handling at the Port and the private transportation services), established several government corporations (e.g., Ceylon Petroleum Corporation and the Ceylon Steel Corporation), and took over dominant private institutions such as the Bank of Ceylon and the private insurance companies during the early 1960s. These initiatives resulted in increased business activities of the government and provision of more employment opportunities for the public.

The SLFP governments were criticised by the media for their nationalisation policy, as it was claimed that nationalised institutions lacked managerial skills, and that there was political interference in administration and high trade union involvement (Ludowyk, 1966). Externally, the governments led by the SLFP had problems in obtaining aid from the United States of America due to this economic policy.

After losing the election in 1977 and being out of office for 17 years, the SLFP government that returned in 1994 adopted different policies to its predecessors as described below.

Economy

Kelegama (2006) analyses the Sri Lankan economy from 1948 to 2006. A gradual improvement in the per capita income has been reported from 1948 to the present, indicating a reduction in the inequality in income distribution and creating the need among employees/consumers for improved infrastructure including telecommunications. However, looking at the period between 1948 and 1977, Kelegama argues that development policies in Sri Lanka tended to change with each change in government. He claims that the stable macro-economy inherited from the British at the time of independence became uneven due to slow adjustment to internal and external shocks, missed opportunities and policy errors because of a lack of a single-minded course of action.

Sri Lanka was mainly an agricultural country at the time of regaining independence in 1948. The contribution of the agricultural sector to the economy and the number of people who were engaged in the agricultural sector declined only slightly during the period from 1948 to 1977. According to Kelegama (2006, p. 93), even though all governments from independence to the late 1970s, made a considerable effort to

improve the country's infrastructure facilities, especially those related to the agriculture sector, overall infrastructure development remained below a satisfactory level. The performance of the plantation sector still dominated the activities of most other sectors of the economy, such as trade and commerce, banking and insurance, transport and manufacturing activities, although the rest of the economy gradually expanded and more employment opportunities were created. Accordingly, Kelegama (2006) concludes that little structural change towards an industrial and service oriented economy took place.

After 1965 the country's dependence on foreign aid became more significant. Political attitudes and interests of donor countries were linked to the aid they provided. Mismanagement of funds, unexpended funds and not achieving the expected returns were some of the issues that were found with some foreign aid projects.

A high demand for labour from Middle Eastern countries created more employment opportunities for Sri Lankans, both male and female, starting from the late 1960s. During the 1970s and 1980s there was high "temporary" emigration to these countries, especially of low skilled workers.

The country experienced a slow rate of urbanisation due to slow economic growth from independence to the 1980s. The primacy of the capital city, Colombo, declined, as employment opportunities in the Colombo region were not developed owing to falls in international trade and output of manufacturing industries. Compared with other Asian countries, the rural/urban dichotomy was lower in Sri Lanka, in terms of health, education and electricity facilities, and there was no incentive to migrate to urban areas to seek such facilities.

Kelegama (2006) summarises the economy before 1977 as inward looking, with strict trade and financial sector controls, such as high import restrictions and exchange controls. These controls created economic issues including a high budget deficit, a balance-of-payments crisis, a low economic growth rate and high unemployment levels. This economic crisis resulted in the UNP Government coming into power in 1977.

5.1.4. Sri Lanka from 1977 – 1994

The period from 1977 to 1994 was characterised by the UNP's neo-liberal economic policies. Their emphasis was on industrialisation, more private sector participation in economic activities and institutional reforms in the public sector. The result was an increase in the disparity in incomes.

The year 1977 was a landmark in the economic and social policies of the post-independence period. The newly elected UNP-led Government initiated significant policy reforms, introducing the aforementioned neo-liberal economic policies. Priority was given to export-oriented industrialisation; there was a focus on following an American model of development. Since then the elected governments, whether UNP or SLFP, have continued with economic policies that differ only slightly. They have increasingly pursued privatisation, market-oriented policies and export-oriented trade. However, in spite of open economic policies being espoused as a solution to the previous economic problems, the country has continued to suffer from these and other problems. In the mid-1980s political instability slowed the trade liberalisation process. Furthermore, there was a significant reduction in industrial growth in the late 1980s.

The reduction in growth led to insufficient tax revenue during the late 1980s, and so the Government sought other revenue sources. It paid attention to privatisation programmes and institutional reforms of the public sector bureaucracy, following World Bank pressures and advice of national planners. Public sector institutions were criticised for not catering for the growing demands of the economy. The privatisation process attracted private investment during the late 1980s. This process was nicknamed "peoplisation", reflecting the concern for worker support. Majority shareholdings in 35 state-owned enterprises were divested by the end of 1993. The Government introduced an attractive voluntary retirement package and recruited new staff for the restructured institutions, in spite of the strong resistance of trade unions towards the retrenchment of labour in state-owned institutions (Kelegama, 2006).

Even though the new Government encouraged private sector initiatives and attempted to reduce society's dependency on government, it carried out various public welfare programmes during the 1980s. These included an extensive housing programme to meet the housing requirements in both urban and rural areas, a welfare scheme for

school and university students, a new rural development credit scheme and poverty alleviation programmes.

Textiles and apparel, food and beverages, telecommunications, insurance, and banking and other financial service sectors became the most dynamic sectors of the country's economy after the introduction of open economic policies. Governments carried out a few key development projects to improve the infrastructure and employment with the expectation of creating a conducive environment for private sector investment. A significant contribution by the private sector towards the annual economic growth rate can be observed especially in manufacturing and garment export during the period 1989 to 1993. An industrialisation policy was announced in 1989 in order to promote industrial diversification and to spread industries geographically throughout the country. However, in the early 1990s Sri Lanka's efforts to attract foreign direct investment was problematic due to macroeconomic and political instability, bottlenecks in infrastructure, lack of factories built according to international standards in the Free Trade Zone, outdated labour and corporate laws, and lack of cooperation by some local entrepreneurs in joint ventures.

5.1.5. Sri Lanka from 1990 – 2000

A substantial improvement in infrastructure was experienced during the early 1990s. Even so, major problems were caused by reduced efficiency in the use of capital and by various inadequacies in infrastructure, including roads, telecommunications, water supply and electricity. For example, the telecommunication system of the country suffered from inadequate technology to handle the increasing number of calls, and a high number of "traffic" jams occurred. Moreover, during the 1990s, the Government could not allocate sufficient capital expenditure to develop infrastructure facilities due to an increasing budget deficit. The Government used these inadequacies and inefficiencies in supplying infrastructure and the lack of resources available to the Government in developing infrastructure as reasons to convince the general public about the privatisation of public organisations.

The role of information technology (IT) in facilitating and maximising benefits of trade received considerable attention all over the world, including in Sri Lanka, during the early 1990s. As an initial response, Sri Lanka took steps to automate its import-

export process by introducing an Automated Data Processing system in 1992. Rapid technological advancements during the 1980s and 1990s necessitated a better telecommunication infrastructure to maintain the economic development of the country in the face of global changes. The Government expected the support of the private sector in enhancing technological modernisation and upgrading the technical skills of the country.

A new Government led by the SLFP came into power in mid-1994. It implemented an economic policy with the theme “open economy with a human face”. Although the economic policies did not significantly change from those of the previous government, the new Government broadened and fine-tuned the liberalisation by privatising public utilities. The private sector was given financial incentives with the expectation of greater contribution to the economic development. The Government put a high priority on modernising the economy so it could be competitive in the international market and gave incentives to encourage the application of advanced technology in industry and foreign investments.

In the first budget of the new Government, plans were included to reform public enterprises, including gas, telecommunications and air travel. These public reforms seemed to be a continuance of a long term process already started in the early 1980s. The Public Enterprises Reforms Commission was established in 1996. According to some of the informants, one of its key tasks was to handle employee resistance to the privatisation process. Some informants reported that the Commission was involved in handling the privatisation of the Sri Lanka Telecom Corporation and obtaining employee consent.

Regarding society and social conditions in the 1990s, the literacy rate of both the male and female population remained at a high level, 91.4%, mainly owing to the free education system.¹⁴ According to standard of living indices, Sri Lanka could be considered to be a country with higher quality living conditions than other developing countries (see Figure 14) owing to the extensive social welfare projects carried out by successive governments. The standard of living improved significantly during the

¹⁴ Annual Report of Central Bank of Sri Lanka, 2010.

post-independence period, with Sri Lanka standing well above other South Asian countries in terms of the Human Development Index¹⁵.

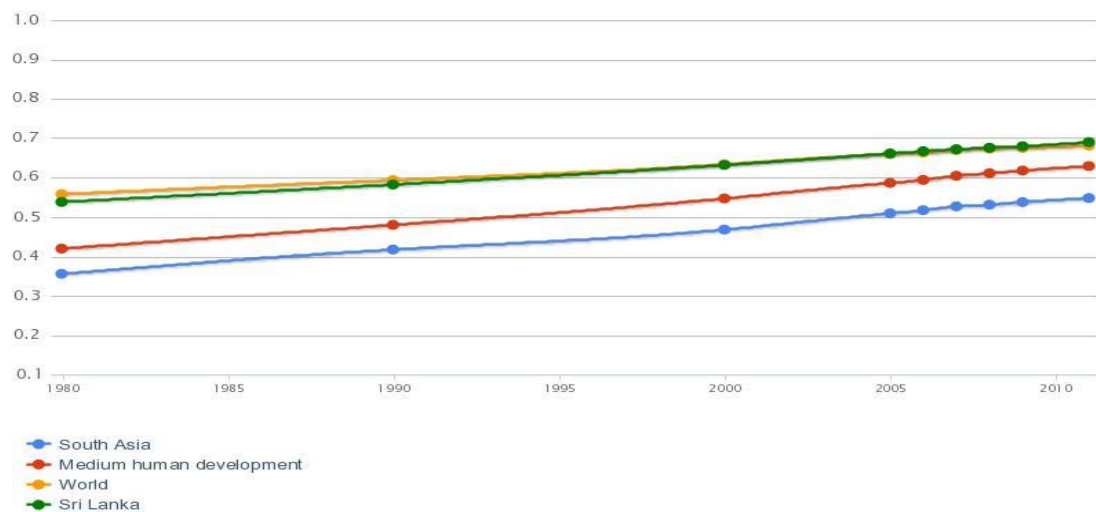


Figure 14: Trends in Human Development Index
(Source: United Nations Development Programme (a))

The unemployment rate gradually decreased from 13.1% in 1994, reaching a low of 5.2% in 2008. During the 1990s, emigration of workers in search of jobs continuously increased, 75% being to Middle Eastern countries. Low salaries paid to government workers created difficulties in attracting and retaining top professionals to the public sector. Since the 1990s women's participation in the labour force has improved continuously, increasing the level of income of families as well as increasing the needs of women, and changing the lifestyle of families. For example, in the past mothers played a significant role in taking care of domestic activities, such as cooking and caring for children. But as women started working, women had less time to devote to domestic activities. Earlier, most families had rice and curry for all three main meals. But with the changes, families now have bread or instant food for breakfast and dinner, and children are sent to daycare centres. Alongside all these changes, the communication requirements of the population increased, as did people's ability to pay.

¹⁵ This index takes into consideration health, education, housing, access to clean water and utility services such as electricity and communication facilities and access to mass media.

5.1.6. The twenty-first century

The beginning of the twenty-first century has been characterised by continuation of neo-liberal economic policies but with some nationalistic views accommodated. There has been rapid development of infrastructure, wide use of private and public sector partnerships in economic development activities, and concerns about the development of the information and technology sector have been addressed. Between 1999 and 2004, the governing political party changed three times between UNP and SLFP. UNP was re-elected as the Government in 2001 and held power till 2004. They supported economic and social reforms, deregulation and private sector development. A new party, the United People's Freedom Alliance (UPFA, led by SLFP), came into power in 2004, supported by the People's Liberation Front (JVP), which has more socialist views. This coalition government promised to stop the privatisation of state enterprises and reforms of state utilities, and emphasised the importance of a socially responsible private sector and a strong public sector. Furthermore, the Government focused on supporting rural and suburban small and medium entrepreneurs by extending economic development activities to rural areas.

The new Government's strategies were aimed at equitable income distribution to alleviate poverty and encourage small and medium enterprises. However, overall, the economic growth of the country slowed down. Specifically, from 2005 until 2009, the country had to allocate a significant amount of Gross Domestic Production (GDP) for expenses related to the terrorist war¹⁶ and the country's security, and this hindered the Government's ability to invest in economic infrastructure and human resource and skill development.

By 2008 the service sector had become a key driver of growth in the Sri Lankan economy, accounting for nearly 60% of GDP. However, the contribution of the service sector slowed down in 2008 mainly due to declines in export trade, transport and financial services activities, and to the downturn of the global economy.

¹⁶ A war was started by Liberation Tigers of Tamil Eelam (LTTE, designated as a terrorist group first by India in 1992 and later by Australia, Canada, the European Union, the United Kingdom, and the United States of America) in 1983. They demanded one-third of land territory and two-thirds of the seacoast of the country for Tamils in Sri Lanka (less than 20% of the population). The war came to an end in 2009 after the Government of Sri Lanka defeated the LTTE.

The post and telecommunications sector was part of this growth. In 2000, the Ministry of Finance and Planning of Sri Lanka had set Millennium Development Goals with the support of the United Nations Country Team. Under this project special attention was paid to improving information and telecommunication technology in cooperation with the private sector, integrating it with the national education policy. However, the benefits of the considerable growth since in the information and communications technology sector have not been evenly distributed. In particular, according to Central Bank reports, the country's Internet facilities have been highly concentrated in urban areas, especially in the Western Province, owing to the relatively high cost of internet access, and the lack of proficiency in English and of computer illiteracy.

5.1.7. Summary

Section 5.1 has discussed general political, economic, social and demographic characteristics of each period I identified based on the political administration of Sri Lanka. Table 4 listed the continuing changes that I perceived in the country, which created the need for telecommunication services, and events that changed the uses and demand for telecommunication services. The events mentioned in this section changed the thinking patterns in society, lifestyle, living conditions, employment opportunities, the level of education, per capita income, economic development and infrastructure development. They resulted in various changes in the telecommunications industry of the country, and vice versa. Even though some changes in a given aspect did not have immediate implications for other aspects, the effects could be observed after some time.

5.2. Global trends in the telecommunications industry

Alongside the occurrences in Sri Lankan history outlined in the previous section, important events and trends were occurring in the global telecommunication industry. In this section I outline global telecommunication events, and discuss reasons for developments in the telecommunications industry around the world and the trends of these developments. My knowledge about global trends in the telecommunications industry is constructed based upon the documentary sources (such as Aldaba, 2000; Asian Development Bank, 1997; Haacker, 2010; Håkansson & Lind, 2004; Major & Hopper, 2005; Sharma & Lawrence, 2008; Shaw, 2000; Wickramasinghe et al., 2004)

and the official web site of International Telecommunications Union as listed in Appendix 1.

The development of global telecommunications technology can be linked to worldwide trends and international events, such as growth of the European empires, particularly in the nineteenth century, the two World Wars in the twentieth century and popularisation of long distance and intercontinental travel. Table 5 lists some events that I perceive as important in the global telecommunications industry. Even though I have mentioned special events observed in the industry, these developments are a result of continuous activities taking place in or affecting that industry.

Since the invention of the electronic telegraph in 1837, telecommunication gradually expanded over the next 120 years, based mainly on landline technology. Initial inventions in Europe and in the United States of America gave rise to a universal pattern of development in telecommunications since the 1830s (Gunawardana, 2007). Colonisers introduced new technologies in their colonies as testing sites and to maintain efficient communications within Empires and along trading and commodity producing networks. Rapid developments in the global telecommunication industry after the Second World War can mainly be attributed to research in the military of the United States of America (Gunawardana). The technology has grown rapidly since then, with continuous experiments to improve it while overcoming the high cost of operations and the shortcomings of manual technology during the early stages. Recent developments in the telecommunication industry have been mainly focused on virtualisation, networking, and cost minimisation. Shaw (2000) noted that new economic trends created more than one billion consumers for prospective communications products globally during the decade of the 1990s. Higher usage of mobile phones has been observed in countries where fixed line networks have been extensively damaged due to civil unrest or natural disasters.

Table 5: Perceived Changes in the Global Telecommunications

Year	Global Telecommunications
Up to 1835	Communications relied on documents and by messages travelling by land and sea
1825	<i>Electromagnet invented</i>
1837	<i>Electric telegraph invented</i>
1844	<i>First transmission in Morse code</i>
1865	<i>First commercial facsimile system</i> ; International Telegraph Union established
1868	First Telegraph Conference
1876	<i>Telephone invented by Alexander Graham Bell in the USA</i>
1878	First switchboard went into commercial service; <i>First commercial telephone services</i>
1879	<i>First manually switched public telephone exchange in Britain</i>
1885	<i>Copper wires used to install phone systems</i> ; International Telegraph Convention on service regulations and tariffs held
1889	<i>Almon Strowger invented automatic switch to connect two parties without operator</i>
1891	<i>First working automatic switch by Strowger</i>
1900	Independent companies began after Bell's 17 year patent ran out
1902	<i>First radio transmission of human voice</i> ; <i>Teleprinter invented (paved the way for telex)</i>
1906	First radiotelegraph convention
1908	<i>Prediction in a New York newspaper that telephones would someday be wireless devices</i>
1912	General Post Office established in Britain, the first government monopoly in telecommunications
1914	Rotary dial was implemented large-scale
1920	<i>First sound broadcasting</i>
1921	<i>First all-automatic exchange in Omaha, Nebraska</i>
1926	<i>Increased use of automatic switch; 20% of systems used rotary dial and automatic switches</i>
1927	<i>Radio telephone links created long distance service between US and England; A 3-minute call from New York to London took 14 minutes to connect</i>
1930	<i>20 million subscribers helped calling costs to decrease</i>
1932	<i>First public teleprinter established in Britain</i> ; Name change from International Telegraph Union to International Telecommunication Union (ITU)
1940	<i>Coaxial cables decreased interference and increased calling capacity</i>
1945	<i>A 3-minute intercontinental call (from New York to London) took 90 seconds to connect</i>
1947	<i>First hexagonal cells for mobile phone base stations developed by AT & T and Bell Labs</i> ; International Frequency Registration Board established
1949	International Telecommunication Union recognised as a UN specialised agency
1950	<i>Cell phone system put into production; Using radar technology, microwave stations could carry almost 20,000 phone conversations; Western Union developed a fax system for internal use</i>
1952	Commencement of ITU's technical cooperation programme
1956	AT&T agreed to Federal Communications Commission regulation in exchange for promising not to enter the emerging computer industry
1957	<i>Earth's first artificial satellite launched</i>
1960	Use of mobile phones allowed only for military or very wealthy
1962	<i>Digital transmission (binary language of computers) introduced</i>
1963	<i>World's first telecommunication satellite launched</i>
1964	International Telecommunication Satellite Organisation
1965	<i>World's first commercial communication satellite launched</i>
1966	<i>Xerox fax introduced</i>
1968	<i>First test network with decentralised packet switching networks (APARNET)</i>
1970	<i>Corning glass developed first fibre optics cable; Mobile transmission from one cell to the other developed</i>
1971	First world telecommunication exhibition
1973	Cooper made first cell phone call to head researcher at Bell to let him know he did it first
1974	<i>First international digital voice communication service launched</i>
1976	<i>First computer switchboard put into commercial service</i>
1981	<i>World's first commercial cellular mobile phone system in Saudi Arabia</i> ; Britain separated British Telecom from Post Office
1982	Independent Commission for Worldwide Telecommunications Development established
1983	World Telecommunication Year
1984	Maitland Report; 51% of British Government's shares in British Telecom sold and transformed to a public company
1985	First Telecommunication exhibition in Asia-Pacific region
1986	First Telecommunication exhibition in Africa region
1988	First Telecommunication exhibition in America region; Adoption of plan providing equitable rights of access to the geostationary-satellite orbit
1993	First World Telecommunication Standardisation Conference
1994	First Telecommunication Development Conference
1996	First Telecommunication Policy Forum on Global Mobile Personal Communications by Satellite systems; First international standard for universal international free phone numbers adopted
1998	Introduction of single category of sector membership according to wider rights and obligations to private sector members; Second Telecommunication Development Conference
1999	ITU approved first release of 3G radio interface specifications
2002	Third Telecommunication Development Conference
2003	First phase of the World Summit on the Information Society
2005	Second phase of World Summit on Information Society; A road map for bringing benefits of ICT to all world's inhabitation adopted
2006	First World Information Society Award Presentation; Fourth Telecommunication Development Conference
2007	<i>iPhone introduced</i>

5.2.1. The International Telecommunications Union

The International Telecommunications Union is responsible for regulation, standardisation, coordination and development of international telecommunications, as well as the international harmonisation of national policies. It currently comprises 193 member countries and some 700 private sector organisations. Established in 1865 as the International Telegraph Union (the name changed in 1932), it has been a public-private partnership from its inception.

A key objective of the Union has been to synchronise the national policies of member countries by introducing regulations and standards. Application of common regulations and policies can be seen as a major reason for common development trends in telecommunications worldwide. Indeed, the Union has been involved in activities such as introducing regulations, publishing journals and holding conferences. Vital issues under discussion during the early conferences of the Union were the right to communicate by means of international telegrams, whilst ensuring the secrecy of messages and rates of charge. The Union's area of specialisation has increased beyond telegraph and telephone communications. It now covers the whole information and communications technology sector, including digital broadcasting, the Internet, mobile technologies and 3D TV.

During the 1980s, international equity in the distribution of telephone facilities was a key area of responsibility of the International Telecommunication Union, as a significant gap had arisen between facilities in the richest and poorest countries. High cost was a major constraint for first-time users in developing countries. Accordingly, the committee that published the Maitland Report in 1984 raised the need for providing telephone facilities to the whole world by the early part of the twenty-first century and proposed that developing countries should decide their own targets and plans to achieve higher tele-density levels.

Availability and affordability of services continued as a major concern for the International Telecommunication Union during the 1990s. The importance of appropriate liberalisation and private sector investment and involvement, ostensibly to improve the availability of telecommunication facilities at affordable prices, especially in developing countries, was a major topic in World Telecommunication

Development Conferences in both 1994 and 1998. Also discussed at the two conferences were: how new telecommunication technologies could be used to bridge the gap between developing and developed countries, and the gap between urban and rural areas within a country; the importance of using cost effective technologies to provide telecommunication services to rural areas at a lower cost; and the importance of Government involvement in making appropriate policies and regulatory structures. Further, the two conferences discussed the importance of equal distribution of benefits of telecommunications and techniques (e.g., tele-education, tele-medicine) to achieve political, economic, social and cultural development.

In spite of the worldwide liberalisation of telecommunications industries, the International Telecommunication Union was still having concerns about the digital divide. Even though a significant improvement in the usage of telephones among low and middle level income earners was observed during the period 1984 to 2001 globally, including in middle-income developing countries, poorer people living in rural areas were still not enjoying the potential benefits of telecommunication services. The World Telecommunication Development Conferences in 2002 and 2006 discussed strategies and action plans to overcome this divide, especially in the poorest countries. The 2002 conference discussed how developments in Finance and Investment, Human Resource Development, Network Development, and New Technologies, Policy and Regulation could be used to support changing needs of the telecommunications sector (e.g., implementation of emerging technologies such as broadband access solutions, IP telephony, and transition to 2G and 3G mobile telephony).

5.2.2. Organisation of telecommunications in various countries

Initially most telecommunications undertakings were in government hands because of their national monopoly, high capital cost and military significance. The gradual development of the technology used for telecommunications, such as development of mobile communication, increased the need for structural changes in telecommunications industries all over the world. Thus, countries started separating postal services from telecommunications from the early 1980s. For example, Britain separated telecommunications from the Post Office in 1980 and converted the telecommunications part into a corporation, British Telecom, in 1981.

Following the liberalisation of the telecommunications industries in the United States of America and Britain, during the early 1990s other countries introduced competition and privatisation in various forms to improve the universal accessibility of telecommunication facilities. For example, in Argentina (“Privatisation”, 1990), Thailand (“Contracting out”, 1991), Senegal (“Liberalisation”, 1992), the Philippines (“Competition”, 1993) and Chile (“Funding”, 1994) steps have been taken by governments and telecommunication companies to improve telecommunication facilities and access levels (Shaw, 2000). According to Shaw (2000), the international telecommunication companies who entered those markets looked to secure immediate market share. A similar trend can be seen in Sri Lanka: the Telecommunications Department was first transformed into a government corporation in 1991 and then was privatised in 1997.

As a consequence, liberalisation of telecommunication industries became a common research topic in various disciplines, including accounting. Most of the research on accounting practices in the industry is about implications of privatisation for accounting practices. Håkansson and Lind (2004), Major and Hopper (2005), Sharma and Lawrence (2008), and Wickramasinghe et al. (2004) carried out case studies in relation to management accounting practices, demonstrating similarities between telecommunication industries in different countries (Sweden, Portugal, Fiji and Sri Lanka respectively). In each country, telecommunications began as a government monopoly, then government-held firms, which then underwent major restructuring programmes for numerous reasons.

Håkansson and Lind (2004) studied how new forms of coordination, including alliances and close cooperation between companies in the Swedish telecommunications industry, created challenges in designing accounting systems. Findings of the study reveal that established accounting methods play a key role in forming business relationships. Major and Hopper (2005) studied the problems faced by a Portuguese telecommunications company in implementing activity-based costing (ABC). They note that new ABC practices were met with resistance from production engineers and workers, whereas they received favourable responses from commercial and senior managers. Major and Hopper conclude that the implementation of ABC varied at different organisational levels and that attention should be paid to issues of

industrial relations and workers' resistance. Sharma and Lawrence (2008) carried out a case study in the Fijian telecommunication industry illustrating how institutional contradictions and inconsistencies occur in introducing new accounting systems. They note that the change in the case firm could be attributed to the cultural and political influences specific to Fiji.

Wickramasinghe et al. (2004) carried out an in depth analysis of what they describe as a leading telecommunication company in Sri Lanka, which was earlier operated as part of the Government of Sri Lanka (and thus, although the case firm is not named, it must have been Sri Lanka Telecom). They focused on implications of privatisation for accounting practices. They illustrate how a Japanese manager's charismatic and patrimonial leadership eliminated bureaucratic controls, brought in new management controls and reward systems, and achieved some commercial success. According to them, before moving into privatisation the firm had tight bureaucratic control systems, revenue reports were not used in decision making or control, and the organisation did not develop managerial planning and control systems, or use auditing for examining efficiency and effectiveness. These findings differ from the evidence I report in this thesis, because I found that privatisation is only one aspect of change whereas there are many other influences on changing accounting practices of Sri Lanka Telecom.

How these changes in the global telecommunications industry were reflected in the telecommunication industry of Sri Lanka is discussed in Section 5.4.

5.3. Accounting and the accounting profession in Sri Lanka

In this section I present the change I perceived in the development of the accounting profession in Sri Lanka. This is relevant because the changes I noted in the accounting profession influenced the accounting practices at Sri Lanka Telecom. My knowledge about the developments of the accounting profession in Sri Lanka is constructed using documentary sources (such as Ukwatte et al., 2011; Wijewardena and Yapa, 1998; Yapa, 2010) as listed in Appendix 1.

Accounting in Sri Lanka was heavily influenced by British accounting traditions, in particular, being organised through and as a profession. The profession was dominated by British people at first, and then by an English-educated Sri Lankan business class, particularly after independence in 1948. Thus, the accounting practices

of Sri Lanka Telecom were influenced by British accounting practices and this continued even after independence.

Table 6 depicts some important events that I perceived in the accounting profession in Sri Lanka.

Table 6: Perceived Changes in Accounting Profession in Sri Lanka

Year	Changes in Accounting Profession
1861	Provisions in the Joint Stock Companies Ordinance
1938	Provisions in the Companies Ordinance No 51 of 1938
1941	Ceylon Accountancy Board established
1959	The Institute of Chartered Accountants replaced the Accountancy Board
1960	Bachelor's degree programmes in Business Administration and Public Administration at the general and honours levels introduced which included some accounting subjects
1992	Separate academic department for accounting set up for the first time and a special bachelor's degree programme introduced at the University of Sri Jayewardenepura

During the British colonial period, the British made a series of changes to legislation and to political administrative systems to suit the changing and growing commercial environment. Growth in the plantation sector and in the number of business organisations in the country increased the need for a uniform administrative structure for control purposes. The Joint Stock Companies Ordinance No. 4 of 1861 was the first of considerable British company legislation enacted in Sri Lanka. British-style practices with regard to business organisations in Sri Lanka, including accounting and auditing of those business organisations, have been influential in all legislation. According to Yapa (2010), amendments to this legislation in Sri Lanka generally followed statutory changes in the United Kingdom (UK). For example, the Companies Ordinance of 1938 in Sri Lanka was based on the provisions and principles of the UK Companies Act of 1929. As mentioned in Section 5.1.2, during the colonial period, Britain owned most of the country's businesses. Yapa claims that the origin of an accounting profession in Sri Lanka can be attributed to the need to provide financial information about British investments in Sri Lanka. Thus, application of regulations similar to British company regulations to manage these companies was not only administratively convenient for the colonisers, it was needed to satisfy capital markets (Wijewardena & Yapa, 1998).

The Companies Ordinance of 1938 required auditors of company accounts to be registered. This created a need for a regulatory body for the accounting profession. Accordingly, the Ceylon Accountancy Board was established in 1941 as a part of the

Colonial Government. It consisted of officers nominated by the Colonial Government although the only public official on the Board was the Chairman (the permanent secretary to the Ministry of Commerce). All other nominees were leading businessmen in the plantation sector because at that time this was the most important and influential sector in the economy of the country. Thus, the Ceylon Accountancy Board was under British influence (Ukwatte et al., 2011). According to the regulations of the Ceylon Accountancy Board, members of established professional societies in Britain, persons registered under company legislation of India and those who had practised as accountants for a sufficient period even without a professional qualification could register to audit the accounts of companies.

The Ceylon Accountancy Board issued formal accounting qualifications but the people with these were mainly ones who could not afford a foreign education. The economic and social transformation which started in the colonial period created a situation where wealthy Sri Lankan entrepreneurs sent their children to English medium schools. Some were sent abroad, especially to the UK, to obtain professional qualifications. According to Ukwatte et al. (2011), 98% of Sri Lankan accountants in the late 1940s were qualified from UK-based professional bodies, such as the Institute of Chartered Accountants in England and Wales (ICAEW), the Institute of Incorporated Accountants, and the Association of Chartered Certified Accountants. The British-owned business organisations preferred British accountancy qualifications in order to serve the British interest (Ukwatte et al., 2011).

Since independence in 1948, Sri Lanka has still followed British practices in accounting education and membership of the profession. Yapa (2010) claims that the peaceful nature of transition from a British colony to an independent country ensured that Sri Lanka embraced British practices in many areas including accounting.

By the end of 1949, the accounting profession in Sri Lanka had three tiers, namely: Chartered Accountants, Incorporated Accountants and Ceylon Registered Accountants, each tier carrying different levels of social status (Ukwatte et al., 2011). Those who provisionally registered under the Companies Regulations 1941 (e.g., holders of book-keeping and accountancy certificates of the Ceylon Technical College, or holders of certificates of membership of an accountancy institute of the UK) could become a Registered Accountant. However, Registered Accountants who

did not have British qualifications were only allowed to provide audit or accounting services in small business organisations. Further, any person, whether he was qualified or otherwise, could render his services to members of the public as an accountant. Membership of the ICAEW was considered the most prestigious, whereas Incorporated Accountants and Ceylon Registered Accountants ranked second and third respectively, which was a similar stratification to that in the UK accounting profession. This is another indication that the British colonial influence on the accounting profession in Sri Lanka continued even after independence.

Following the recommendations of the L.M.D. De Silva Commission on Company Law in 1950, the Institute of Chartered Accountants of Ceylon was established as the national accounting body in 1959, replacing the Ceylon Accountancy Board. It was the only local professional body of accountants in Sri Lanka. Establishment of a national accounting body during this time can be linked with the nationalist political views of the government elected in 1956. However, as the majority of its founding members were British-qualified professionals, the Institute of Chartered Accountants of Ceylon supported the adoption of British accounting methods, even though those methods might not have matched local needs. Accordingly, the methods of education and training used for producing accountants by the Institute of Chartered Accountants of Ceylon were similar to the ICAEW. Changes made by the ICAEW were followed subsequently by the Ceylon Institute. Yapa (2010) claims that the English-educated elite class created barriers for people from local universities and non-elite groups to enter the accounting profession by adopting British training models; conducting examinations only in English, which resulted in high failure rates; and prescribing demanding practical training requirements.

The university system in Sri Lanka did not include a degree programme related to commerce until 1960. Even though Vidyodaya University (currently known as University of Sri Jayewardenepura) introduced two bachelor degrees, in Business Administration and Public Administration, both of which had a few accounting courses, there was no specialised bachelor degree programme in accounting. However, the dominance of the business class in the accounting profession in Sri Lanka was gradually challenged by nationalists during the 1970s for not meeting the local needs. Ukwatte et al. (2011) note that the 1974 report of a Cabinet Committee

on Technically, Professionally and Academically Qualified Personnel Leaving Sri Lanka highlighted the continuing use of a British model of accounting practices and its inappropriateness for local needs. The commission made recommendations to introduce a professional accounting education and training model to meet Sri Lankan requirements.

The demand for management and accounting qualifications increased gradually after economic liberalisation in 1977. At the same time, the number of institutions and programmes that offered management and accounting professional qualifications increased, especially from the early 1990s. The University of Sri Jaywardenepura introduced a bachelor degree programme specialising in accounting in 1992. However, the Institute of Chartered Accountants of Sri Lanka still does not recognise this degree programme as a sufficient qualification for meeting the examination requirements of its membership, except for exemptions given for a few selected papers. As such, those with only the degree are unable to earn a professional qualification. Furthermore, most of the business organisations give preference to professional qualifications in accounting over the degree. Thus, we can see the influence of rich, business class people in the development of the accounting profession in Sri Lanka continuing well after independence even in the face of nationalistic challenges to their authority. Ukwatte et al. (2011) claim that currently UK professional bodies dominate professional accounting education in Sri Lanka. For example, Sri Lanka provides the largest student population of Chartered Institute of Management Accountants (CIMA) outside the UK, and CIMA was the fastest growing accounting professional body in Sri Lanka by 2010. However, Wijewardena and Yapa (1998) warn that the British professional accounting examinations are based on subject matter applicable to the British economy. As the Sri Lankan economy is considerably different from the British, a large amount of the subject matter covered in those examinations is not relevant to Sri Lanka. Therefore, they claim that accountants produced based on foreign examinations are unlikely to contribute effectively to the needs of Sri Lanka.

The above description demonstrates that the accounting profession of Sri Lanka was introduced to meet the requirements of the British colonial masters. The British

accounting practices continued after independence and Sri Lankan accounting professional bodies replicated changes by the British accounting bodies.

There are some similarities between the accounting practices adopted by Sri Lanka Telecom since its inception and the development of the country's accounting profession. For example, accounting information requirements in its early years, continuation of similar accounting practices for a long period, including after independence, and adoption of Western management accounting practices, even today, are some indicators of the British influence on accounting practices. Further, even though Sri Lanka Telecom recruits degree holders as engineers, the main criterion in recruiting accountants is a professional qualification. Sri Lanka Telecom does not consider accounting degrees offered from Sri Lankan universities as a sufficient qualification in recruiting accountants. This is a clear indication of the continuation of British practices, elitism, class division and Sri Lanka Telecom's hesitation to change their rules in or through the accounting profession.

The increasing popularity and developments in professional accounting education in Sri Lanka resulted in new employees being recruited to Sri Lanka Telecom for accounting related positions already having knowledge of recent developments in accounting practices. I observed that these new employees are making attempts to practise what they have learnt, leading to small changes in the accounting practices of Sri Lanka Telecom. Moreover, global developments in the financial and management accounting disciplines have created a greater need for accounting practices. Training programmes and workshops have been arranged, even for engineers, on quality improvement and managerial skills. Even though some informants perceived changes in the educational level of new employees, they did not perceive it as an influential factor in changing accounting practices. This is in contrast to my knowledge about the influence of employees' educational background on changing accounting practices.

5.4. Telecommunication industry of Sri Lanka and Sri Lanka Telecom

This section details my observations of the telecommunication industry in Sri Lanka, how telecommunications were introduced to Sri Lanka, their development and how Sri Lanka Telecom is impermanent. The discussion will also refer to the changes

perceived in the previous sections and their implications for the industry and the organisation and vice versa. Major changes that I perceived in the telecommunications industry of Sri Lanka are listed in Table 7. My knowledge about the telecommunications industry of Sri Lanka and Sri Lanka Telecom is constructed using a wide range of documentary sources (such as Adikari, 1991; Amarasinghe, 1997; Balasooriya, 2008; David, 2007; De Alwis, 1988; De Silva, 2009; Deshapriya, 1989; Fernando, 1990; Gunasekara, 1991; Gunasekara, 1997; Gunasekara, 1999; Gunawardana, 2007; Haacker, 2010; Inoon & Nanayakkara, 2009; Jayasinghe, 1997; Knight-John, 1997; Kuruppu, 2005; Ladduwahetty, 2000; Overseas Telecommunications Service Sri Lanka, 1976; Pethiyagoda, 1996; Rajakarunanayake, 1996; Ratwatte, 1995; Samarajiva, 1997; Samarasinghe, 1991; Wattegama, 1997; Weerakkody, 2003; Wewalage, 2007; Wijayasiri & Jayaratne, 2009; Wijesekera, 1991; Wijesuriya, 1997), various Administration Reports, reports of the Ministry of Post and Telecommunications, and the Telecommunications Regulatory Commission of Sri Lanka as listed in Appendix 1, and information obtained from informants.

5.4.1. Chronological developments

It is difficult to study the telecommunication industry and Sri Lanka Telecom separately as Sri Lanka Telecom *was* the industry until the late 1980s. However, liberalisation has led to a separate company and to the industry expanding to comprise several companies of which Sri Lanka Telecom is now only one, albeit still the largest. These companies provide various telecommunications products and services, and compete with each other.

The early need for telecommunication (1800s to 1930s)

In the late eighteenth and early nineteenth centuries, communication was important between colonial administrative officials in Sri Lanka and the Colonial Office in London, and with East India Company officials in Madras. Initially, this communication was by letters. Evidence found in Administration Reports of the early colonial era shows that there were communication delays and inefficiencies because of the long-time taken to deliver messages and human errors. The British officials sought more efficient means to carry out their communication, and so turned to telecommunications in the 1850s.

Table 7: Changes Perceived in Telecommunications Industry in Sri Lanka and Sri Lanka Telecom

Year	Telecommunications in Sri Lanka
1857	Ceylon Telegraph Department established within 20 years of invention of telegraph
1858	First electrical telegraph line commissioned between Colombo and Galle; Colombo-Kandy and Talaimannar lines commissioned
1859	Morse telegraph introduced within 15 years of first world transmission in Morse Code
1864	Telegraph lines extended to Trincomalee, Nuwara Eliya, Jaffna, Badulla, Batticaloa and Panadura
1865	First telegraphic communication from Europe
1880	Postal and Telegraph services amalgamated under the control of Government of Ceylon; First telephone introduced for Voice communication within 4 years of A G Bell's invention
1882	Colombo-Talaimannar line reconstructed
1893	Telegraph money orders introduced
1896	Government of Ceylon purchased British Cable & Wireless Ltd (beginning of government monopoly); Government decided to make telephone services available to public at large at an affordable cost
1896-1905	Complaints regarding the quality of service
1897	Became a member of ITU
1907	Number of subscribers grew to 150 and number of calls in the year was 358,000
1911	Central Telegraph Office opened
1912	First wireless message sent to Bombay
1923	Automatic exchanges introduced
1935	International telephone services inaugurated
1941	International operations handed over to Cable & Wireless Company
1951	Government of Ceylon took over assets of Cable & Wireless Company within 3 years of independence
1962	Local language telegraph developed using Sinhala-English teleprinters manufactured in collaboration with Nippon Telegraph and Telephone (NTT) of Japan; Colombo Area Development Scheme I Project
1963	Telex services introduced
1964	Sri Lanka among first members of International Telecommunication Satellite Organisation
1968	Nationwide Subscriber Trunk Dialling, national numbering plan, national tariff structure, and signalling and switching system introduced
1978	Colombo Area Development Scheme II Project
1980	Postal and Telecommunication services separated into two Departments: Telecommunications and Postal
1981	First private Paging licenses
1984	Internet facilities introduced to Sri Lanka; Presidential committee for liberalisation of telecommunications
1985	Private sector allowed to provide telecom equipment
1988	First license issued for Cellular services in Sri Lanka
1991	Sri Lanka Telecom Corporation formed
1993	Packet Switching Service introduced
1995	Commercial Internet access
1996	Sri Lanka Telecom transformed to a government owned corporation; Internet and E-mail services introduced
1997	Sri Lanka Telecom privatised (in collaboration with NTT)
1998	Customer base reached 500,000; Customer Care Centres (Teleshops) opened
1999	Customer base reached 600,000
2000	Issue of debentures (Rs. 1.5 billion)
2002	Mobitel (Pvt) Limited (a mobile communications company) acquired fully
2003	Company shares started trading in the Colombo Stock Exchange; Market liberalisation of International Services; SLT Broadband Services introduced; Introduction of ten digit numbering system being in line with regional and international standards by TRC to accommodate increasing demand
2004	Received Fitch SL 'AAA' rating; Internet Data Centre launched
2005	CDMA network launched; eProcurement system introduced, first in Sri Lanka
2006	SLT Hong Kong launched; BB- credit rating received from Fitch International Ratings; Achieved highest international information security standard, first in Sri Lanka; Introduction of 3G technology to Sri Lanka
2008	National Online Distance Education System introduced; NTT sold its shareholding to Global Telecommunications Holdings NV of Netherlands
2009	11th South Asian Telecommunications Regulators Council in Sri Lanka

These officials also needed an efficient communication system within the country, because both bureaucratic and regional administration was expanding and due to a desire to maintain administrative control at the centre. For example, there was a need for frequent communication with the centre of administration in Colombo to impart instructions about administrative, technical, human resources and financing issues to various offices in other parts of the country, especially the plantation areas. Two such administratively important instances were the two “rebellions”, one in 1818, just three years after the British colonisation, and another in 1848 (Blaze, 2008). These created the need for efficient communication between the British administrators and offices in Colombo, India and London.

These administration developments increased the need for introducing the new technologies that were being developed in the global telecommunications industry, resulting in the establishment of the country’s first telecommunications network. This network gradually expanded between 1857 and 1920 as the communication needs of the Colony Government grew, including as the number of its departments increased. Speedy communication via telegraphy had a positive impact on trade and commerce as well as government. However, all communications at that time were in English. Even though the Government decided to introduce telephone services at an affordable cost to the public, it was the middle of the twentieth century before services were in common use by the general public, even for commercial purposes. The main reason for few telecommunication facilities in rural areas, such as the plantation districts, until the 1920s was the cost of installing the lines and equipment were uneconomical as deemed by the Government.

The Sri Lankan telecommunication industry continued to be affected by developments and technological advances in Europe. For example, Sri Lanka sent the first wireless message to Bombay in 1912, and introduced automatic exchanges in 1923, both of which were just a few years after those technologies were initiated elsewhere in the world (see Table 5 and Table 7). Indeed, the British used the country as a test site for some new technologies. For example, Sri Lanka received the first Strowger exchange in the early 1920s, as the British wanted to establish whether it could tolerate the tropical conditions. Therefore, Sri Lanka was an early adopter of advances in the telecommunication industry.

Introduction of automatic exchanges in 1923 enabled the Government to provide high quality services to rural areas at a low cost. People who were isolated in plantations could now communicate quickly and directly with others. Another 1920s development was when the Telegraphic Department's Chief Telegraphic Engineer (a Briton) recognised the importance of improving the efficiency of the engineering branch at the same time as improving the prospects of Sri Lankans. He promoted local engineers and developed their technical knowledge and skills by organising forums. This was the first time that local people were recruited to engineering positions. As mentioned in Section 5.1.2, the British colonial government had a policy of allowing the elite among Sri Lankans to be involved in the administrative system during the 1930s, which may have made the way for the recruitment of locals to the Department. By this time, establishment of technical colleges in the country facilitated the recruitment of local engineers.

However, telecommunication services depended on the performance of the economy. The collapse of global prices of natural rubber in the early 1930s coincided with a negative growth in the number of telephone connections. The trend only reversed in the late 1930s as the economy recovered. In any case, during the 1920s and 1930s telecommunications facilities were mainly used for plantations and continued to have a very low level of public usage. The colonial Government limited the infrastructure development only to plantation towns and other main trading cities.

War and the post-war demand (1940s)

During the 1940s Sri Lanka became a centre of British war operations in the Second World War, which led the British to further develop the infrastructure of the country. All telecommunication resources were used for war purposes and new connections were established at the Headquarters of the Army, Air Force and Navy. Similar to other government departments, the Ceylon Telegraph Department was concerned with controlling costs and improving efficiency, as resources during the war period were limited. Significant telecommunication traffic and technical issues were reported during the war period.

The war ended in 1945 and, afterward, the world was in the process of recovery. Materials were in short supply and so were funds from Britain. Therefore, expansion of the network was difficult; this was a problem for all countries. However, the

infrastructure developments in other areas beside telecommunications during the war improved the standard of living of people by the time the war finished. According to the Administration Report of 1947, the standard of the employees recruited for exchanges had improved. Further, it was reported that the efficiency of local female operators had reached a high standard. By this time, a cost effective radio telephone system was being used to connect rural areas.

As explained in Section 5.1.3, the demand for telecommunications gradually increased after independence in 1948 due to gradual economic developments in the country. By the time of independence, the telephone network had become concentrated in Colombo, which had 59% of the country's exchange lines, and the Posts and Telecommunications Department had a considerable waiting list for public telephone services. It had to work hard to satisfy the emerging demand for telephones from the public in the early years of independence. Indeed, the telecommunication sector was able to meet only about 60% of the demand for telephones, with 5,414 applicants on the waiting list in 1948. After 1948, the waiting list was expanding at a rate of about 15% annually. The high number on the waiting list for public services can be attributed to the way the economy had grown since the beginning of the twentieth century, the prioritisation of the plantation sector, the high cost of providing connections to remote areas, and limited resources for investment and operations. However, a growth in business activities produced more income for the newly created middle class, which in turn increased the demand for services such as telecommunications and the potential revenue from them. However, there were operational inefficiencies in the Telecommunications Department, as it was named at the time. Overall, these can be attributed to the lack of technologically advanced equipment and because it lacked skilled labour. After independence, Sri Lanka stopped receiving the necessary resources from the UK. Nevertheless, successive governments after independence were able to expand the telecommunication network by opening new telegraph offices and telephone exchanges around the country.

Satellite and other technological growth (1950s to 1990s)

By and large, during the 1950s, the developments of the 1940s continued. However, in 1951, the Posts and Telecommunications Department of Ceylon bought back the assets of Cable and Wireless Ltd., which had owned the international operations since

1941. This was a significant change and resulted in all telecommunications operations being under the Posts and Telecommunications Department and Sri Lankan ownership. Ultimately, the Sri Lankan telecommunications industry evolved gradually, adopting global technological improvements as they came into being.

During 1956-57, the Minister of Telecommunications appointed a committee for the development of telecommunications facilities under the Colombo Plan Development Scheme. Under this project, the services of a group of telecommunications experts from the British Post Office was obtained to implement new telecommunications systems. Furthermore, the Posts and Telecommunications Department recruited new staff in the period 1953-63 to extend the national language telegraph services. In 1962, local language telegraph and Sinhala-English teleprinters were introduced. Use of the Sinhala language in telegraph communication can be attributed to the nationalist policies adopted by the Government at that time, which encouraged the expansion of the public sector and the welfare of the general public, with less economic dependency on foreign countries. Interestingly, these developments were done in collaboration with the Japanese telecommunications firm, Nippon Telegraph and Telephone (NTT). Thus, it appears that the Posts and Telecommunications Department had had a relationship with NTT in introducing new technologies since the 1960s, well before NTT bought into Sri Lanka Telecom in 1997.

In 1965, Sri Lanka entered into an agreement established for “Interim Arrangements for a Global Commercial Communications Satellite System” for members of the United Nations. These affiliations with global institutions indicate that the country was adopting the new trends in the global telecommunication industry.

Ongoing automation in the 1960s and 1970s created serious tensions between operations and engineering staff, as operations staff feared such developments would result in their gradual replacement by automatic systems. However, such developments were needed to keep the telecommunication industry of Sri Lanka in line with global telecommunications developments. These development projects can be viewed as a part of the UNP government policies, and were supported by the first loan to Sri Lanka from the International Monetary Fund.

The Nationwide Subscriber Trunk Dialling project was initially implemented in the Western, Central and Southern provinces and completed in 1972. It opened the way for modern technology and new concepts, such as uniform long distance dialling, multi-metering, a national transmission plan, and new switching and signalling systems. This project also gave pride of place to engineering and technical personnel for the first time, by providing them with new buildings, their own offices and staff quarters. Determination of call charges was changed from a manual system to an automated system.

Reliability of the country's overseas radio telegraph links was improved by the incorporation of automatic error correction equipment. From the 1960s onwards, the Posts and Telecommunications Department made efforts to provide the public with better high-quality communication links with the rest of the world. For example, up to 1975 people had to book a call and then wait days for it to come through, and most of the calls were noisy and indistinct, with frequent disturbances.

Improvements to the primary operations of the Telecommunications Department were reported until the early 1990s. The other significant development at this time was the establishment of cellular/mobile services, not only by Sri Lanka Telecom but also by other providers. These reflected liberalisation policies in the telecommunications industry which can be observed from the early 1980s. These are discussed in detail in the next section. The first cellular service operator (Celltel Lanka) started operations in Sri Lanka in 1989. The Government issued cellular licenses to Mobitel, a joint venture between Sri Lanka Telecom and an Australian company in 1993, followed by MTN Networks (Pvt) (Dialog) in February 1994. Thus there was much competition among the cellular operators and Sri Lanka Telecom.

Overall, an increase of investment in the mobile sector can be observed from the mid-1990s, owing to changing technology, operators' response to new entrants and changes in the regulatory environment. For example, Celltel converted to GSM (Global System for Mobile Communications) in 2000; Mobitel introduced DAMPS (Digital Advanced Mobile Phone System) in 1999; and Celltel increased its investments during 1994-1999 in response to Dialog's entry into the market. Although the industry expanded as a result of the private investments, connectivity did not expand into previously excluded groups until later.

Issues as a government department (1960s to the 1990s)

Overlapping and reflecting the above technological growth, the demand for telecommunication services in the country gradually increased in the 1960s and 1970s due to further improvements in people's incomes and wider income distribution. The most significant issues between the 1960s and 1990s were increased demand in volume, diversification in subscribers and their requirements. The network's capacity could not keep up with this growth. Indeed, demand accelerated both locally and internationally after the Government introduced open economic policies in 1977.

A main reason for high demand for international calls was the movement of temporary workers to the Middle East, which as indicated above began in the late 1960s when construction and consumption grew exponentially in the petroleum-exporting countries. The postal system, telex and other text-based communication methods were of limited use owing to the lack of English and Arabic literacy of most workers (Samarajiva, 1997). Expansion of economic activities, urbanisation, improvement of per capita income and a reduced gender gap in employment are key factors which contributed to further growing demand for telecommunications, both locally and internationally in the 1980s and 1990s.

The Telecommunications Department had difficulties in meeting the demand and providing a reliable service, in spite of Government and foreign funding. Only 65% of the registered demand for telephone services was satisfied by 1992. High usage of available telephone lines and obsolete cable networks caused difficulties in providing better services and the number of daily subscriber complaints remained at an elevated level. Furthermore, common indicators of the efficiency of telecommunication administrations, such as exchange fill (percentage of exchange capacity utilised) and the ratio of employees to 1,000 direct exchange lines, were at a relatively unsatisfactory level (Samarajiva, 1997).

As stated in Balasooriya (2008), the Public Enterprises Reforms Commission noted that inadequacy of investment in modern technology, lack of corporate vision and outdated procurement systems were the main barriers to the development of the telecommunication industry. In particular, because it was a government department and employees could not act independently, the Telecommunications Department had constraints in decision making and funding. For example, the revenue of the

Telecommunications Department could not be utilised for its development projects and had to be transferred to the Government Treasury. Even though the Telecommunications Department identified these operational issues, it could not make appropriate decisions and change the system independently.

Due to resource, administrative, cultural and technological constraints, the Telecommunications Department could still not meet the high demand. As a result, the waiting list had become even more unreasonable and unmanageable by the mid-1990s. Further, the increased participation of women in economic activities in Sri Lanka, along with other factors, including migration of unskilled Sri Lankan women to Middle East countries from 1978 and a narrowing of the gender gap in literacy, created an increased demand for telecommunications facilities.

5.4.2. The restructuring of the telecommunications industry and Sri Lanka Telecom

The massive demand for telecommunication services by the mid 1990s meant that the resources, number of operators and other matters of supply capacity were not enough. The Sri Lankan Government sought advice from foreign consultants. The use of foreign consultation was common practice for Sri Lankan politicians, and most government and private sector officials would also employ foreign consultants in solving problems, rather than creating a local solution. This practice can be attributed to the education system introduced during the British period and the dependency on European colonisers for nearly 500 years. It was found when conducting interviews that, even recently, Sri Lanka Telecom has employed British consultants to advise on its restructuring process. Shaw (2000) asserts that the increased demand for telecommunications services during the second half of the 1990s gave management consulting an important role in emerging economies and that developing nations depended highly on communications products and services, and especially consulting services.

The process of restructuring Sri Lanka Telecom first involved the separation of the Telecommunications Department from the Post Office in 1980. This was due to the fundamental and rapid changes that were experienced by telecommunications markets

globally from the 1980s in light of technological developments and competition-oriented reform policies.

Arguably the global trend of liberalising government-held telecommunication industries is due to the inappropriateness of government systems in the face of rapid changes in the telecommunication industry. This was an issue raised by most of the informants. They claimed that the Department could not make timely decisions because of the centralised and slow decision making processes and issues in allocation and utilisation of funds. They claimed that the Department could not make appropriate and timely changes in line with the rapid changes in telecommunications industry and global technology, owing to the government administrative structure. For example, an informant claimed that, during the Department period, customers had to wait in long queues to solve their problems as all issues were handled centrally (and in person) at the regional offices or at the head office. During this period, even some problems that could have been handled by a customer care officer now had to be reviewed by senior managers, which resulted in delays and customer disappointment. Thus, most of the informants concluded that there was a requirement for a change in the Department's administrative procedures.

On the other hand, separation of the Department can be viewed as an implication of the structural loans obtained from the World Bank in 1980. However, liberalisation of the industry was delayed until 1997 due to political instability in the country, even though the respective governments took preliminary actions in the liberalisation process, such as transforming the Department into a corporation in 1991.

Referring to the global pressures for privatisation, an informant at Sri Lanka Telecom mentioned that the World Trade Organization (WTO) decided to liberalise the telecommunication industry. Being a member of the WTO (Sri Lanka was a founding member), Sri Lanka had to go along with this global trend. The International Telecommunication Union also had a significant influence on privatising the telecommunication industry in most of its member countries. According to Jayasuriya and Knight-John (2002), Sri Lanka became one of the most competitive markets among developing countries in the Asia-Pacific region, as its restructuring programmes brought new entrants to the market and deregulated value-added telecommunications services.

Telecommunications Department

The separation of postal and telecommunications services was a global phenomenon, as rapid technological developments made it difficult for telecommunications departments to function together with the less dynamic postal sector. However, both services continued to report to the Minister of Posts and Telecommunications. The Telecommunications Department had a Managing Director and Board of Directors, both appointed by the Government. As a government department, the Telecommunications Department was held responsible to report financially to the Treasury, was subject to audit by the government audit department. The key constraint it faced as a government department was the limitation on the ability to hire, fire and discipline employees; to raise funds independently; and to retain earnings for internal use.

The appointment of a Presidential Committee in 1984, which would make recommendations on the liberalisation of telecommunications by introducing competition and regulation, can be considered the first step in privatising the Telecommunications Department. However, the trade unions representing the employees of the Telecommunications Department protested due to concerns about loss of employment.

According to the report of the Presidential committee, there was a need for the Telecommunications Department to change the regulation and decision making process to suit the growing modern business environment. As government departments could not operate independently nor change their regulations according to changes in the environment, the ownership structure had to change, rather than changing the government bureaucratic system. An informant noted that government ownership does not necessarily prevent adjustment to the changing modern environment if the administrative procedures can be adjusted accordingly. He referred to the Singapore Telecommunications industry which is still owned by the government and operating successfully. This is in contrast to the general opinion of other informants who emphasised that privatisation was a must for successful long term operations.

Sri Lanka Telecom Corporation

In February of 1992 Sri Lanka Telecom Corporation was created as a government-owned corporation. All assets and liabilities of the Telecommunications Department were transferred under the Sri Lanka Telecommunications Act, No. 25 of 1991. Employees of the Telecommunications Department were also transferred to Sri Lanka Telecom. The Corporation was governed by a Chairman and Board of Directors appointed by the Minister of Post and Telecommunications. The Managing Director, appointed by this board, was the executive head of the Corporation. However, the Corporation lacked autonomy in operations and decision making and this transformation did not change its basic administrative and financial dependence on the Government. Even so, this change in the administration structure of the organisation resulted in some changes in its accounting practices, which are discussed in the next chapter.

Establishment of the Regulator

Following the British model, the 1991 Act appointed a Director General of Telecommunications to perform the regulatory functions and advise the Minister on policy matters. As part of the reform process, the Government established a regulatory authority in 1991 for the first time; this was also a global practice. The justification was that, after the privatisation process, an effective regulatory body was necessary to ensure an efficient, dynamic, technologically innovative industry with cheaper and better quality services to accommodate the interests of a wide range of stakeholders (Gunawardana, 2007). Moreover, advanced developments in telecommunication technology demanded new regulations and a regulatory body.

Further legislation (Sri Lanka Telecommunications (Amendment) Act, No. 27 of 1996) was enacted to strengthen the regulatory authority in the privatisation process. Under this the powers and duties of the Director General under the 1991 Act were transferred to the present Telecommunication Regulatory Commission of Sri Lanka. The Commission monitors compliance with the regulatory requirements imposed on all companies operating in the industry. It processes applications for licenses to operate telecommunication systems and private networks in Sri Lanka, to use radio frequency and radio frequency emitters, for cabling works, and vendor licenses. The Commission also regulates tariffs and formulates pricing policies, monitors proper

utilisation of the radio frequency spectrum, and responds to customer complaints about telecommunication services by holding inquiries and investigations. It also provides information to the public on quality and variety of telecommunication services.

Regulations are mainly enforced on the incumbent operator (Sri Lanka Telecom) to make sure that other growing operators have fair and equal competition. However, informants perceived imposition of regulations differently. They claimed that strict regulations are not good for the industry as a whole, as they delay the development activities by operators. With these changes, Sri Lanka Telecom had to use new information to meet the regulator's requirements, and it introduced new divisions and prepared new management reports.

Sri Lanka Telecom as a company

In 1996, the Corporation was converted from a government corporation into a government-owned company, Sri Lanka Telecom Ltd., bringing it under the provisions of the Companies Act, No. 17 of 1982. Subsequently the Government sold 35.2% of its shareholding to NTT, the incumbent state-controlled operator in Japan, with which it had had dealings as early as 1962 (see Section 5.4.1). Further, the Government made a ten-year agreement with NTT to provide technical and management expertise to Sri Lanka Telecom, allowing NTT to enjoy a monopoly in international telephony until 2002. A few shares (3.5%) were also given to employees of Sri Lanka Telecom Ltd. in the form of an employee share ownership plan. Shares were issued to employees to counteract the resistance from employees to the privatisation of the Corporation. The remainder of the shares (61.5%) were retained by the Government, until 2003 when shares were first issued to the public. In 2000, Sri Lanka Telecom also issued public debentures for the first time.

After privatisation, Sri Lanka Telecom was headed by a chief executive officer. The first three chief executive officers were Japanese, appointed by the Japanese owners. The present Australian Chief Executive Officer was appointed in February, 2009. Under terms in the Articles of Association of Sri Lanka Telecom, the Board of Directors are appointed by the shareholders in proportion to the shareholding. In 1999, the Board of Sri Lanka Telecom had seven Non-Executive Directors (six from the Government of Sri Lanka and one from NTT) and three Executive Directors

appointed by NTT. In 2006 there were 10 seats (nine Non-Executive and one Executive position). The Government of Sri Lanka was entitled to five seats, NTT four seats and one seat was reserved for minority shareholders (Sri Lanka Telecom, 2007).

Currently, the Board consists of nine positions and the Government is entitled to five seats (Sri Lanka Telecom, 2013). The current Board of Directors comprises a member with a law background, a specialist in the public service, directors of other private companies, and business owners. Except for the five directors nominated by the Government of Sri Lanka, all the other directors are from outside Sri Lanka, such as Malaysia, the United States of America and India, but it is not clear what their relationship is to the Dutch holding company. The Government's influence in decision making is also evident in other ways, such as its appointment of the person referred to as the Chairman of Sri Lanka Telecom.

During the privatisation process, union leaders and employees were directly involved in many rounds of discussions to explain away unfounded fears and show the importance of restructuring Sri Lanka Telecom. This was handled by the Public Enterprise Reform Commission, which ensured that employee support was obtained, as their support was seen as crucial to the success of the process. According to information that I obtained during the interviews, employees with managerial positions at Sri Lanka Telecom generally supported the liberalisation process, but the Government had to put further effort into convincing the operational staff about the process. According to some informants, a possible reason for this difference in the behaviour of employees is that employees with managerial positions got promotions while others did not. Thus people had contradicting views, saw this transformation differently, and acted accordingly.

In 1996 the Government also awarded contracts to two foreign operators to invest in the fixed line sector (CDMA – Code Division Multiple Access) to compete directly with Sri Lanka Telecom. It was the first time that private companies had been allowed to install basic telephone lines in competition with Sri Lanka Telecom. Further operators followed, so, at present, eight operators are licensed to provide data communication services using their own facilities. Most of the informants claimed that the high level of competition thus created within the Sri Lankan

telecommunication industry has improved the level of service provision. According to them, the competition pressured Sri Lanka Telecom to tackle inefficiencies, waste and corruption in order to retain its customer base.

Customer Change

Socially, even in the 1990s, use of telecommunication services was concentrated among the wealthy. This was because of the initial cost of connection and the high cost of call charges. However, a decline in the initially high cost of mobile phones and competitive call rates resulted in cellular phones becoming a regular tool for personal and business communication for the average consumer. For example, options like prepaid packages introduced by the mobile operators facilitated those who did not have fixed addresses (e.g., university students, young professionals and workers working away from their home) in obtaining telephone connections. A publication of Sri Lanka Telecom (Gunawardana, 2007, p. 87) notes that, “Cell phones became less of a status symbol and more of a regular tool for personal and business communication for the average consumer.”

The introduction of mobile communication has had a significant impact on Sri Lankan society and its economy since around 2005. For example, as mentioned previously, it resulted in significant changes in the banking, trading, education, entertainment and media sectors, and people gradually started using those telecommunication facilities in their day to day work. Mobile communication has changed the way of doing business and is used as a means of easy communication between family members during the day time. A direct reciprocal link can be seen between the functioning of the telecommunications sector in Sri Lanka and the faster economic growth supported by developed infrastructure services.

The pace at which business was conducted was improved by introduction of internet facilities in 1995 and the Sri Lankan business community was soon able to compete globally on equal terms. Sri Lanka was one of the first countries in the Asian region to introduce 3G and 3.5G services, as well as the High Speed Packet Access (HSPA) technology. However, the high cost and lack of computer literacy resulted in usage of internet facilities being very low until recent years. Even now, despite the computer-literate population the Internet growth rate is at a lower level than optimal compared

to the Asia and Pacific region as a whole because of the high cost of using the Internet.

5.4.3. Change within Sri Lanka Telecom

This section discusses the change I observed within Sri Lanka Telecom after privatisation. According to the evidence collected from various sources, I perceived that change occurred in at least the following aspects: organisational culture, strategy, organisational structure, operations and modes of financing. I also perceived that these changes took place gradually and not at the same time or at the same rate. Most of the information about the organisation after privatisation was obtained from the informants. They tend to distinguish the change as “before privatisation” and “after privatisation”. Thus, it was difficult to identify an exact point in time for specific changes. However, I have attempted to identify specific times for changes where possible.

According to Jayasuriya and Knight-John (2002) and Balasooriya (2008), Sri Lanka Telecom's performance in terms of network expansion and modernisation, quality of service and customer relations, and internal operational efficiency improved alongside privatisation. A significant improvement in performance was recorded in terms of the number of new connections, average waiting time, call completion rates and fault clearance. The potential for growth in the future attracted new investors. Moreover, high competition among the mobile operators led to the introduction of new technologies, especially high capacity digital networks. However, as mentioned previously, a senior manager claimed that it is difficult to judge whether Sri Lanka Telecom was better under the new structure than under government ownership.

Organisational Culture

The change from Sri Lankan Government management control to private Japanese management control arguably disturbed the way of life in Sri Lanka Telecom, bringing about a new culture within the Company. As stated in publications of Sri Lanka Telecom and by some informants, the lethargic, bureaucratic style of operations and administration was transformed into a culture characterised by dynamism. An informant mentioned that the Sri Lankan employees observed the hard work and commitment of the Japanese management team, which became a model for

them. They improved employee productivity and brought about a challenging, performance-oriented and profit-driven work environment.

The Japanese managers also transformed Sri Lanka Telecom into a learning organisation. Training programmes under British control and Sri Lanka Government ownership were mainly designed to improve the technical capabilities of employees. After privatisation, staff training was prioritised, especially improving management skills, English language skills and soft skills, while keeping the technical staff continuously updated with technical developments in the industry. Employees were encouraged to participate in both local and foreign training programmes, and to undertake higher studies to gain new and advanced technology or management knowledge. The change in direction of training programmes were undertaken in order to change the strategy of Sri Lanka Telecom to focus on the customer and retain customers with high customer satisfaction and to withstand high competition. This change in the direction of training programmes was also appreciated by most of the informants.

Some managers claimed that despite all the changes, employees have close relationships. However, attachment to some aspects of the old Telecommunications Department culture still exists. In Sinhalese culture, it is customary to address people according to social and familial relationships, rather than using individual names. I observed a similar practice among most of the engineers and peers of other divisions. They called each other “brother” or “sister”. However, according to a senior manager, Sri Lanka Telecom maintains a clear separation between positions; in particular, the executive level employees always keep their distance from the lower level employees. This might be a practice continuing from the British administration, when executive positions were awarded only to Britons or to those who had a British education.

A new chief executive officer, an Australian, was appointed in 2008. He set out to create what was referred to as a “customer-centric strategy”. In this environment, all operations of Sri Lanka Telecom are carried out in order to satisfy customers. Sri Lanka Telecom introduced “customer forums” where top management, including the chief executive officer, travelled around the country conducting meetings with groups of customers in both urban and rural areas, to measure the level of satisfaction, and to address their concerns and issues. It was mentioned by some informants that

previously care for customers was not an important aspect in the culture of the organisation.

As stated by a Senior Manager (the English translations in this and later quotes are mine),

ඉස්සර වාගේ නෙමෙයි, දැන් customers¹⁷ලාගේ පහසුව ගැන Company එක ගොඩක් හිතනවා. උදාහරණයක් විදියට, ඉස්සර customersලට සමහරවිට පැය ගණන් ඉන්න උනා Officer කෙනෙක් මුණගැහිලා එයාලාගේ වැඩේ කරවගන්න. තව, ඉස්සර customersලාගේ පැමිණිලි හාර ගත්තේ සතියට එක දවසක් විතරයි. කෙසේ වෙතත්, මේ විදිය වෙනස් වෙලා විශේෂයෙන්ම Customer Care Officerලාට customer services ගැන අඛණ්ඩ පුහුණුවක් දුන්නා (etiquettes, courtesy, වාගේ දේවල්).

Convenience for the customer is a significant consideration for the Company at present, unlike in the past. For example, sometimes in the past customers had to wait for hours to meet an officer and get their job done. Further, previously customer complaints were accepted only on one day a week. However, this culture changed and continuous training is given, especially for customer care officers on customer service (etiquettes, courtesy, etc.).

Annual reports since 2009 also reflect this high concern for customers.

The informant quoted above claimed that, as a result of the events he described, employees' attitudes changed significantly. However, if one plays devil's advocate, the focus on customers might not have been taken for the benefit of the customer primarily but because the steps were vital for Sri Lanka Telecom to survive in a highly competitive market, although customers benefited incidentally. For example, call rates were reduced to compete successfully in the market, not for the benefit of the customer. Moreover, teleshops were introduced and more centres for bill payments were established in order to collect the revenue efficiently and to minimise the previously high "revenue leakages".

¹⁷ Note that sometimes informants used English terms as some English terms have become more familiar than the Sinhalese terms for Sinhalese people.

Another Senior Manager had another perception on the implications of the appointment of the new Australian Chief Executive Officer for changing the organisational culture. According to him,

Japanese management එකට Asian culture තිබුනා වගේම ඒක people-oriented management system එකක්. ඒ කාලේ සමහර වේලාවට CEO මට දවසට තුන් පාරක් කතා කරනවා. ඒ නිසා සේවකයන්ට management එකත් එක්ක ළඟ සම්බන්ධයක් දැනුනා. නමුත් දැන් management එක work-oriented. ඒක මිනිස්සු ගැන හිතන්නේ නෑ. දැන් මම CEOට කතා කරන්නේ මාසෙකට සැරයයි. දැන් නියත management එක නිසා සේවකයන් අතර ලොකු උනන්දුව අඩු වීමක් තියනවා.

The Japanese management had an Asian culture and it was a people-oriented management system. During that period, sometimes the CEO [Chief Executive Officer] talked to me three times a day. So employees felt a close relationship with the management. But the current management style is work-oriented. It does not care about people. Now I talk to the CEO only once in a month. Because of the present management style, there is a significant demotivation among employees.

Strategy

The change from government control to private ownership was soon followed by changes to strategy. The Department and Sri Lanka Telecom Corporation had technology-based strategies and introduced new technology without paying much attention to customer needs. Their objective was improving telecommunication infrastructure to support the development of the country. Strategies were formulated based on political influences and reasons. Sometimes projects were proposed by Members of Parliament for their respective areas.

After privatisation, Sri Lanka Telecom's strategies were aimed to exploit opportunities in the expansion of and advancements in the telecommunication industry. Senior managers claim that Sri Lanka Telecom's strategies changed after privatisation from short term profit oriented, to network oriented, and then, to customer oriented. These orientations depended on changes and trends in the industry and changes in the chief executive officers. At the point of privatisation the objective of NTT was to exploit the market opportunities and make maximum profits. After a

few years of privatisation, Sri Lanka Telecom had to focus on expanding its telecommunications network to be competitive in the industry, particularly with the entrance of the mobile operators. Sri Lanka Telecom had to expand its network into remote areas and introduced new technology in data transmission (e.g. 3G technology) as mobile operators were exploiting the opportunities available in remote areas and using the state of the art technology. More attention was paid to customers with the appointment of the current Australian Chief Executive Officer. These changes in strategy required different management information.

Business was reorganised by implementing marketing and information technology development strategies. This involved business planning and implementation of company-wide quality and performance standards and a monitoring system. Changes were made to many aspects, including: organisational structure, culture, planning, decision making, performance measures, management controls and welfare of employees, to meet the new strategies and economic objectives of Sri Lanka Telecom. For example, better employee welfare facilities were introduced when the Telecommunications Department was transformed into a corporation, and even better facilities were provided after privatisation of Sri Lanka Telecom Corporation. Informants claimed that employees were not satisfied with the welfare facilities (e.g., medical and recreation) available under the government ownership.

At the time when it separated from the Post Office, the Telecommunications Department provided only one product, fixed line telephones. That changed during privatisation and to some extent because of it, in that it is easier to introduce new technology as a private company than as a government department. Gradually more products have been introduced, such as broadband services, VoIP (Voice over Internet Protocol) phones, CDMA phones and IPTV (internet protocol television). Indeed Sri Lanka Telecom has moved into a product differentiation strategy by introducing new value-added services and improving service packaging. This has been done to maintain and increase its subscriber base and to increase subscriber usage and revenue. As stated by an informant, after privatisation, a business diversification strategy, improving quality of products and services, implementation of cost cutting exercises, customer focused strategies and improvement in the quality of management data, resulted in an increase in shareholder value. He noted that recently Sri Lanka

Telecom changed its business strategy to converge voice, data and video networks, as data communication is becoming more important in the industry. He claimed that Sri Lanka Telecom has an advantage over its competitors in data communication, as it is the leader in possessing the necessary infrastructure.

Organisational Structure

Information about Sri Lanka Telecom's governance structure and the introduction of the role of chief executive officer has been given on pp. 144-145. Since privatisation, Sri Lanka Telecom has been changing the organisational structure and administrative procedures. I observed that new divisions have been established and others closed down to respond to conditions of the industry and accommodate internal strategy and process changes. These include responding to high competition, expanding operations and making changes in the organisational strategic objectives, in order to improve efficiency and reduce losses. For example, the Marketing Division, the New Product Development Division, Research and Development, and Revenue Assurance were introduced after privatisation. Conversely, in 2010, the Research and Development Division was abolished, as Sri Lanka Telecom felt that the division was not effective. Moreover, the structure of some divisions has been changed to improve administration and support efficient decision making. For example, to ease the administrative process the Billing and Collection Division was brought under the Chief of Finance, whereas earlier it existed under a separate chief officer. A new business diversification strategy resulted in acquisition of a mobile operator and establishment of new subsidiaries. These included Sri Lanka Telecom Publications, an IT solutions business and a subsidiary in Hong Kong. These made the organisational structure broader.

Broadening also occurred in the expertise of executive staff. When the organisation was a government department, most of the executive positions were held by employees with an engineering background, and so engineers dominated the Department. Even though most chief officer positions are still held by engineers, except for the Chief Officer in Marketing and Chief Officer in Finance, they now possess qualifications in management studies, such as a Master of Business Administration. Moreover, the Board of Directors under the new ownership has a mix of people with technical and managerial skills.

Sri Lanka Telecom created more executive staff positions after privatisation in addition to the positions arising from needing people to head the new divisions. The number of executive positions increased from about 250 in 1997 to 578 in 2007. Meanwhile there was a gradual reduction in the total number of employees from approximately 8,000 at the point of privatisation down to 7,014. Some informants claimed that the foremost intention behind the broadening or decentralisation of the organisational structure, including creating many new executive positions, was to obtain a favourable reaction from employees towards privatisation, especially from top level employees. Similarly, at the point of the sale of the shares held by NTT to the Global Telecommunications Holdings NV of Netherlands, I observed a further increase in the number of executive positions up to 1,083 in 2008, while there had been a slight reduction in the total number of employees by 42.

Convincing employees about privatisation of the Corporation was a critical issue for the Government and for NTT. According to a manager, under the government ownership, employees typically remained in the same position for long periods, such as 10-15 years, because of low turnover in high level positions. Although providing jobs for life, these circumstances did not encourage high performance or ambition and could even be demotivating. However, after privatisation those who might otherwise have remained in the same position for a long period were given promotions by creating the new positions. I could not find evidence on how the scope of the responsibilities of the positions changed. However, based on the quote of a senior manager at the bottom of the next page, I infer that the responsibilities of the new positions created have been narrowed down. This was another reason for the organisational structure expanding.

Two informants claimed that while the organisation was under the Government ownership some employees were recruited for political reasons, including nepotism. As a result, at the point of privatisation, the Corporation had excess staff in clerical and other minor operational employment categories. After privatisation, recruitment was more according to business requirements, and excess operations staff were shed through non-replacement of leavers.

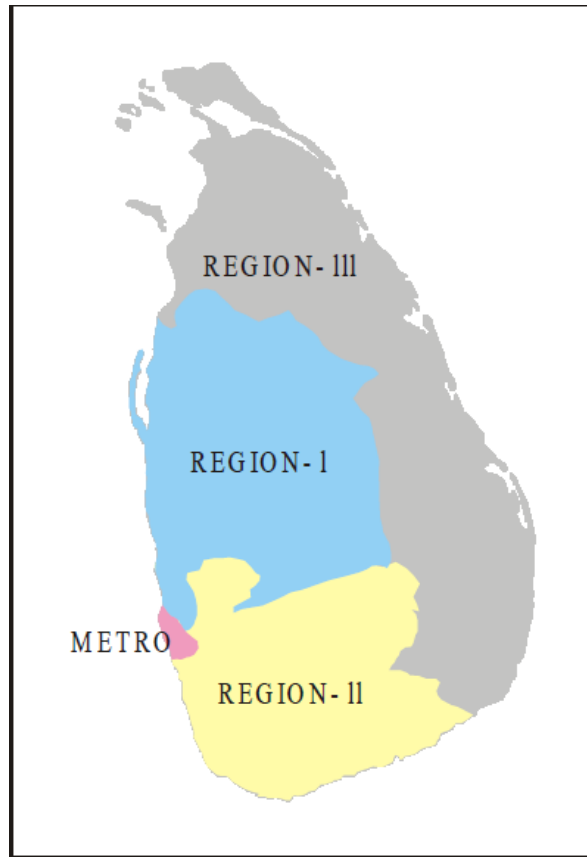


Figure 15: Operational Regions of Sri Lanka Telecom

(Source: Sri Lanka Telecom Annual Report, 1999, p.7)

During government ownership, four regions were created for business purposes (see Figure 15). However, according to a Senior Manager, the regional structure did not function effectively and inadequate attention was paid to sales and customer services. After privatisation, this regional structure was used more effectively, mainly focusing on customer services and maintenance functions. Earlier, engineers had been responsible for regional functions. After privatisation, people specialising in sales and technical skills were made responsible for these functions. However, another Senior Manager perceived the change differently and had a different opinion. He claimed that,

දැන් තියන පටු වැඩ කොටසකට වග කියන විදියට වඩා, ඉස්සර structure එකට අනුව එක region එකක සම්පූර්ණ වැඩවලටම වගකීම, engineersලාට ලොකු job satisfaction එකක් ලබා දුන්නා. Privatisation කරන්න ඉස්සර organisation structure එකට අනුව, operationsවල, තීරණ ගැනීමේදී, සහ පරිපාලනයේදී engineersලා ඒර්ධන වර්තයක් කරා. ඒ කාලේ උසස්තනතුරු නම් කරලා තිබුනේ Chief

Engineers, Senior Engineer, Engineer වාගේ විවිධ engineering levels අනුව. නමුත් privatise කරාට පස්සේ, ඒ තනතුරු Deputy General Manager, Manager, Assistant Manager වගේ management functions පෙන්වුම් කරා. ඒ වගේම, ඉස්සර Clerk කියලා හැඳුන්වු අය දැන් හඳුන්වන්නේ Customer Care Officer කියලා.

The earlier structure, where engineers were responsible for operations of a region, gave them more employment satisfaction rather than now where they are limited to a narrow part of operations. Engineers played a dominant role in operations, decision making, and administration under the organisation structure before privatisation. At that time, top level designations were named using different engineer levels such as Chief Engineer, Senior Engineer, Engineer, etc., whereas after privatisation the titles reflect management functions, like Deputy General Manager, Manager, Assistant Manager, etc. Further, employees who were known as Clerks previously are now designated as Customer Care Officers.

Some informants noted that this change was made in order to pay greater respect to even lower level employees and to motivate them despite the distinction and gap maintained between the hierarchy of the positions.

Decisions that are not strategically important but that need immediate solutions, such as handling of customer complaints, have been decentralised under the current organisational structure, by delegation to operational staff. While decentralising the operational decision making process, Sri Lanka Telecom centralised operational processes, such as billing, call centre operations and other management functions. Moreover, the Human Resources function was centralised in 2010. Before, it was a decentralised system, in which individual divisions handled their own Human Resources issues. Therefore, we can see that decentralisation or centralisation of functions of Sri Lanka Telecom depends on the nature of the function. Even at the same point in time, some functions were centralised while others were decentralised.

Although the new organisational structure resulted in improved performance of Sri Lanka Telecom, some managers claimed that occasionally they still came across issues, such as lack of cooperation between divisions and sections, and slow administrative procedures due to the large structure. Therefore, the current

management is making efforts to reduce the complexity or number of layers of the hierarchy. Further, an Information Technology (IT) programmer claimed that the present structure could be improved if employees, especially the technical staff, were formed into teams and assigned to projects, rather than pooling together employees of the same category.

These individuals' claims show that employees constructed knowledge about the structure of the organisation differently based on their perceptions. Thus, they have different opinions about the structure of the organisation, and, in the future, this may cause further changes to the structure of Sri Lanka Telecom. That is, the present structure is not permanent or suited to everyone.

Operations

After privatisation, Sri Lanka Telecom put significant effort into and made considerable investments in growing its telecommunications infrastructure and expanding its operations all over the country. Expansion of operations was one factor that contributed to the significant growth in revenue of Sri Lanka Telecom, from Rs.17,082 million in 1998 to Rs.33,310 million in 2010, and reduced the huge waiting list for telephones that existed at the point of privatisation. Further, Sri Lanka Telecom paid attention to cost effectiveness in making plans for expanding the network to rural areas. Moreover, fierce competition compelled Sri Lanka Telecom to depart from the traditional government business operations and control practices.

As stated by some managers, there were widespread inefficiencies in the organisation's operations when it was under government ownership. For example, the billing system was one such process. When privatised, the revenue collection process became a major concern of the new management because of their commercial objectives. Some informants claimed that, before privatisation, even if the bills were prepared on time, the Department had problems with sending the bills on time to the correct person, and again in the collection process. Thus, Sri Lanka Telecom introduced new accounting systems to collect timely, accurate and detailed information about the revenue collection process. Sri Lanka Telecom received favourable comments from the public about the improved billing system and the shorter waiting time for new connections.

Financing

According to a senior manager of Sri Lanka Telecom, under government ownership, limited sources of funding was the major constraint that confronted the Telecommunications Department in implementing development projects. After privatisation, Sri Lanka Telecom had new sources of funding available, including local borrowing, project loans and, most importantly, internally generated revenue. The Chief Executive Officer of Sri Lanka Telecom stated in the Annual Report (1999) that the Company had not received a single rupee from the Government since privatisation.

The objectives of Sri Lanka Telecom were influenced by its lenders. Before privatisation, Government Department had to meet Government objectives. After privatisation, the objectives of Sri Lanka Telecom changed to meeting the requirements of its providers of funds, that is debenture and other debt holders and shareholders.

5.4.4. Sri Lanka Telecom since 2000

Currently Sri Lanka Telecom is one of the largest of Sri Lanka's public quoted companies listed in the Colombo Stock Exchange and is the country's only integrated national telecommunication service provider. It provides a broad portfolio of telecommunication services across the country, with the main activity being domestic and international telephone services. It also offers internet access, data services, domestic and international leased circuits, frame relay, integrated services digital network, satellite uplink and maritime transmission (Sri Lanka Telecom (a)).

With an issued capital of 1.8 billion ordinary shares, Sri Lanka Telecom holds a market capitalisation of nearly Rs. 37 billion, representing almost 5.2% of the total market capitalisation of the Colombo Stock Exchange. Sri Lanka Telecom ranked as the No.1 company in Sri Lanka in 2004/05 and also as the most valuable brand for the second time in a ranking in the same year by LMD, a monthly business magazine in Sri Lanka (Sri Lanka Telecom, 2006). The brand was further recognised as the most preferred brand in the information and communications technology sector in 2005 in an award by the Sri Lanka Institute of Marketing.

NTT was the major private shareholder until 2008. However, its 10 year management agreement came to an end in 2005, when the management was transferred to the Leadership Team (comprising of the Chief Officers), led by the Board of Directors. In 2008, NTT sold its shares to Global Telecommunications Holdings N.V. Commenting on the action of the Japanese company, a senior manager was of the opinion that “the most probable reason for the sale of its total shareholding is because the future growth of profits were declining and not because the management agreement came to an end”. Sri Lanka Telecom’s shareholdings are split in three ways. The Government is still the majority (49.5%) shareholder. There is a major private shareholder, Netherlands based Global Telecommunications Holdings N.V. with 44.98%. The rest of the shares are dispersed among public shareholders.

Another change that I observed during this period which had an influence over Sri Lanka Telecom and frequent changes in its accounting practices is the educational background of employees and the increased popularity of accounting education in the country from the mid-1990s. Based on my knowledge about the Department and Sri Lanka Telecom Corporation periods, I observed that it was dominated by engineers before the late 1990s, and the Department and the Corporation was operated as a technology-oriented organisation. That is, the engineers gave their primary attention to technical improvements, rather than changing the technology-oriented strategies to improve operational efficiency and financial performance. There was only one position of “accountant” before privatisation and his/her responsibilities were within a very narrow scope. However, I found that since privatisation Sri Lanka Telecom has recruited more people with accounting and management education backgrounds. The accountants have completed professional accounting courses, such as those of the Institute of Chartered Accountants of Sri Lanka and Chartered Institute of Management Accountants (UK). As mentioned in Section 5.3, these programmes have become popular among students since the mid-1990s, whereas before the 1970s, accounting education was not so popular within the country, let alone within Sri Lanka Telecom. However, I did not find that the introduction of a new university degree programme in accounting resulted in any change to the recruitment policies of Sri Lanka Telecom. Its basic qualification for recruiting an accountant remains a professional qualification rather than a degree.

In addition to the change in the organisational structure that I mentioned in Section 5.4.3, I perceived further frequent changes to the structure of the organisation in the period since 2000, precipitated by changing market requirements, changes in personnel in top management positions, changing information requirements of the Chief Executive Officer and issues in planning. The changes perceived by informants in different divisions enabled me to construct my knowledge of the frequent changes in this regard. For example, I observed the organisational structure in 2006, 2009 and 2010 and the structure changed between each of these years. According to informants, subdivisions in the organisation have also changed frequently. Divisions have been merged or separated, and new divisions were created to meet the changing needs of the organisation. My research reveals that these changes came about in response to the changes and requirements in the telecommunication industry and the changing needs of the customers perceived by the management of Sri Lanka Telecom. However, I also perceived that before privatisation of the Corporation, such changes could not have been made even if the Department or the Corporation had desired to, owing to the requirement to work according to government regulations.

5.4.5. Developments in the Telecommunication Industry in Sri Lanka

Information and communication technology has become a key driver of the economic growth of Sri Lanka in the twenty-first century, resulting in increased productivity and efficiency. This is in spite of some negative effects of the recent global economic crisis on consumer incomes and employment prospects. A few informants said that the global economic crisis created financial constraints for private sector operators in investing in new infrastructure developments that would have created an expansion of employment opportunities in the sector.

This has been evident in the implementation of voluntary retirement schemes by some of the other telecommunication companies since 2009. These schemes were also commented on by an informant. However, he claimed that a major reason for voluntary retirement schemes of some other mobile operators was because of the huge losses they incurred due to failures in price competition strategies. Sri Lanka Telecom was not required to declare a voluntary retirement scheme as the losses incurred by their mobile phone segment could be covered by other services provided by Sri Lanka Telecom.

Even though the global economic crisis put the information and communication technology sector under threat, it opened up opportunities for new business models that could use new technologies to cut costs, for example, markets facilitated by low priced, higher performance consumer broadband. Thus, in the long term, according to the Institute of Policy Studies of Sri Lanka (2009), the sector may emerge with new opportunities.

Gunawardana (2007) claims that the constant evolution of telecommunications technology, especially during the last two decades, has completely changed the pace at which businesses operate, how people communicate and their lifestyles. More specifically, the introduction of digital technology in telephone networks has resulted in significant changes in the telecommunication industry, with the convergence of voice, data and video, and the use of IP phones, which allow users to speak over a network, such as the Internet or an intranet. More and more people are using information and communications technology for health, education, government and business through mobile technologies and mobile Internet, as they provide the cheapest, most reliable and most flexible means of exchanging information in a broad range of economic and social activities.

For example, the banking sector of Sri Lanka has introduced telecommunications in banking services, such as telephone banking and Internet banking. The mobile operators of Sri Lanka have introduced a service called e-channelling, which can be used to make appointments with doctors using Short Message Service (SMS, otherwise known as texting). Recently, the Government launched a programme using mobile phones to help dairy farmers to contact veterinary surgeons quickly. An insurance company introduced a system to pay claims directly to customers' bank accounts using mobile communication, in collaboration with a mobile operator and a private bank. These examples demonstrate the extent to which Sri Lanka is adopting new trends in mobile communication to support economic activities.

The use of mobile phones has been changing the way of life of the general public. For example, customers can pay utility bills via mobile phones or Internet. This means they no longer have to wait in queues, which saves them time and is more convenient, as they can do it from home or, if using a mobile device, from anywhere. The present Government has given a high priority to the development of information and

communications technology; and has taken steps to improve the IT and English skills of the workforce to suit jobs in the private sector. Rapid growth in use of information and communications technology facilities in day to day activities is supported by the increased IT literacy in the country. This literacy has increased from around 10% - 15% in 2007 to 25% in 2009 (Department of Census and Statistics, 2009).

Reciprocally, such improvements in society have provided an opportunity for telecommunications operators to further expand their markets. As a result of popularisation of information and communication technology, they have experienced a high public demand for various telecommunications services, both domestic and corporate. Accordingly, there is elevated competition among the operators to capture these newly created markets, for example, introduction of value added mobile phone services and broadband services, IPTV, and special broadband packages for university and school students. Such changes in the industry arose from high competition, which required the operators to change their business strategies, technologies and management structures to suit the new trends in the industry.

During recent years, further factors that contributed to the rapid growth in demand for telecommunication facilities include: the rapid expansion and high involvement of the private sector in economic activities, the expansion of financial and other services, the movement of people to urban areas and to foreign countries, the high literacy rate, the increase in per capita income and the increase in women's participation in the labour force. Demand for telecommunications services in Northern and Eastern parts of the country also increased significantly in 2009 when the terrorist war came to an end. The rapidly growing telecommunications industry has also supported the growing business sector of country, with new technology in doing business such as the Internet and mobile banking, online trading, and data handling. Further, the Government of Sri Lanka has taken steps to increase broadband facilities throughout the country, especially in rural areas. The Director General of the Telecommunication Regulatory Committee announced in 2010 that the Government is considering reducing charges for broadband internet services. The main intention of this decision is to increase the number of internet users.

Since the liberalisation of the industry, although growth in the fixed line segment can be observed, industry performance is still at a low level compared to developed

countries, and significant disparities in availability of telephone facilities are still being reported. More than 50% of the country's telecommunications facilities are concentrated still in the Western Province, in spite of the significant increase in the number of subscribers in rural areas during the last decade. For example, while 57.9% of households possess telephone facilities in Colombo district, others are much lower, including Monaragala district, where only 3.2% of households possess telephone facilities. However, the telecommunication industry is performing better in Sri Lanka than it is in other countries in the region (Samarajiva, 1997).

In comparison with the fixed line telephone sector, rapid growth and extensive competition has occurred in the cellular telephone sector. This growth can be attributed to the easy connectivity to cellular networks, and how simply fixed line telephone services can be substituted by mobile telephone services. Furthermore, rapid growth and competition in the mobile telephone sector has resulted in the introduction of new technologies and value added services, with differentiated services to meet customer requirements. For example, easy accessibility to International Direct Dialling in making international calls favourably contributed to competitiveness against fixed line operators. Mobile operators expanded their networks to gain competitive advantage, especially after 2005. As mentioned above, the mobile telephony sector underwent severe price reductions due to fierce competition on prices. This caused a huge loss making situation in all companies operating in the industry and so the aforementioned shedding of employees. As a result of this crisis, the regulator imposed a minimum price to prevent further loss making.

5.4.6. The current transformation process and the future

Most of the informants recognised that currently Sri Lanka Telecom is undergoing a restructuring process. However, the objectives and the implementation process were known only to two senior managers, from the Transformation Programme and the Corporate Strategy divisions. Based on their perceptions, I found that, as a part of the transformation process continuing from 2007, Sri Lanka Telecom is making major changes to its business model and revising its business strategies.

A senior manager claimed that, because the future of the telecommunications industry is moving towards broadband services, Sri Lanka Telecom's leadership in the industry is being challenged. For example, there is an increasing trend of customers using Skype and other internet based voice applications. Therefore, according to the senior manager, Sri Lanka Telecom initiated a transformation process in 2007 under the Japanese Chief Executive Officer, focusing on broadband and wholesale services. Sri Lanka Telecom has also entered into business partnerships with companies in related industries. According to another senior manager, the transformation process was initiated by top management and lower level employees became involved at the implementation stage. People from Sri Lanka Telecom interviewed customers and employees at all levels before planning and designing the transformation process. Once the transformation was planned, brainstorming sessions and workshops were organised to design and implement the proposed changes.

A senior manager claimed that:

මුලදී Company එකට trade unionවලින් pressure එකක් තිබුණා. කෙසේවෙතත්, Company එක transformation process එක ගැන තොරතුරු සේවකයන්ට දැනුවත් කරලා ඒගොල්ලන්ගේ කැමැත්ත ගත්තා. මේක කරේ ඇතුළත communication channels වලින්. උදාහරණයක් විදියට, supervisorsලා/managersලා එයාලගේ subordinatesලාට වෙනස්කම් ගැන දැනුවත් කරා, Company එකේ newsletter එක transformation process එකේ වර්තමාන තත්ත්වය ගැන දැනුම්දුන්නා. තව, Company එක සේවකයන්ගෙන් feedback ගත්තා.

The Company had pressure from the trade unions at the initiation point. However, the Company communicated information about the transformation process and obtained employee consent. This was done through internal communication channels. For example, supervisors/managers educated their subordinates about the changes, and the monthly newsletter of the Company communicated the current status of the transformation process. Moreover, the Company obtained employee feedback via the intranet.

Commenting on the transformation processes of Sri Lanka Telecom, he noted that:

Japanese Management එක විශේෂයෙන් “transformation” කියන වචනය පාවිච්චි කරේ නැතත්, ඒගොල්ලෝ Company එකට ලොකු වෙනස්කම් කරා.

Transformation කියන එක ක්රමයෙන් සහ එක දිගට වෙන process එකක්. ඒක රැළි වගේ එකක් පස්සේ එකක් එන්නේ.

Even though the Japanese management did not use the term “transformation” specifically, they did make significant changes to the Company. Transformation is a gradual and continuing process. It comes as waves, one after another.

His claim indicates that the change in Sri Lanka Telecom is a continuous process, one change followed by another change. For example, the recent quality assurance certification by the ISO (International Organisation for Standardisation) required changes to be made in other aspects of the organisation. These included changes to such things as procurement processes, and maintenance of appropriate documentation and quality of the products and services. That is, a given change leads to changes in various other aspects. These can lead to more changes in their area and in other areas.

Commenting on recent changes to the nature of products and services provided by Sri Lanka Telecom, some senior managers related that Sri Lanka Telecom was planning for a major change in their business plans and had employed a consultant from British Telecom. The theme of this new project is “network to customers”, in which Sri Lanka Telecom is focusing on specific customer requirements. Sri Lanka Telecom was planning to complete this new project in 2013, by changing from being a traditional telephone operator to being a network and Internet based global service provider, and providing data services rather than telephone connections. This change was perceived by a senior manager as a part of the current customer-centric product strategy and a customer-relationship marketing strategy. These strategies aim to retain customers and attract new customers as now the industry is highly competitive. Specifically, Sri Lanka Telecom is planning to implement a new customer information system to meet the market information requirements. Some senior managers claimed that no strategic importance was given to market information before privatisation and previously all products of Sri Lanka Telecom were technology-based.

However, not that all these changes are necessarily perceived by everyone as such. Section 5.4 shows how different informants perceive and explain impermanence of

Sri Lanka Telecom and the telecommunications industry differently. Each informant had knowledge about different aspects of the organisation. Thus, the organisation that one individual perceives at a given point in time was not the same as that of another informant. Further, most of the informants lacked knowledge about the organisation before the mid-1990s. Thus, they tended to explain change by comparing the organisation “before privatisation” with the organisation “after privatisation”. However, the evidence that I collected from other documents shows that even before privatisation the organisation has been impermanent in terms of various aspects.

5.5. Summary

In this chapter I have presented the knowledge that I constructed about the organisation and its context based on the change I perceived. My construction shows that there have been many influences on the organisation and it and its context have been continually changing (i.e., exhibit impermanence).

This chapter covered background knowledge that is important in order to understand the matters covered in Chapter Six. Sections 5.1, 5.2 and 5.3 showed how I perceived the context of Sri Lanka Telecom. According to the knowledge that I constructed in each section, I perceived that Sri Lanka Telecom has not been operating in isolation and conditions in the context of Sri Lanka Telecom had influence on it and vice versa. Therefore, it was important to study as many aspects of the context as possible in order to perceive the impermanence in Sri Lanka Telecom and to construct a relatively comprehensive knowledge. As can be seen from Table 3, even if I do not perceive a change in a particular aspect, changes perceived in other aspects could be used to interpret and construct my knowledge on the change I perceived in Sri Lanka Telecom.

Evidence collected from documents written by various authors, in different periods, for different purposes, and information provided by various informants showed that knowledge about Sri Lanka Telecom is not independent of those authors, informants or myself. As mentioned in sections 4.3 and 4.4, the knowledge constructed in Section 5.4 shows that, depending on the ability to perceive impermanence (for example, limited availability of information to, interests of and experiences of informants), observers constructed various static entities of Sri Lanka Telecom. For instance,

informants constructed entities of Sri Lanka Telecom as “before privatisation” and “after privatisation”; or “the Department period”, “the Corporation period” and “the Company period”. As discussed in Section 4.3, the evidence presented in this chapter shows that observers infer that the static entities they construct remain unchanged in between those intervals or do not articulate otherwise when speaking of these entities. However, I was able to construct more entities of the organisation as I possessed more information compared to the informants.

As the entities constructed at different point instances by various informants and by myself were different, the attributes of each entity constructed were also different. Moreover, from the evidence presented in this chapter, we can see that the attributes of Sri Lanka Telecom were subject to the knowledge that the observers constructed about the context of Sri Lanka Telecom. As I was aware of relatively more evidence about Sri Lanka Telecom and its context, the attributes of the entities that I constructed at various point instances were different from those the informants constructed. For instance, as informants possessed very limited knowledge about Sri Lanka Telecom until up to the 1980s, the entity they constructed as the “Department” differed from the entity that I constructed.

As explained in Section 4.4, each section of this chapter shows that the change perceived by the authors, informants or myself was relative to what they constructed as an entity at different point instances. For example, evidence presented in Section 5.4 showed that most of the informants perceived change of an entity, “after privatisation” relative to another entity “before to privatisation”. However, subsections in Section 5.4 show that as I constructed more entities of Sri Lanka Telecom, the change I perceived in Sri Lanka Telecom was relative to the entities that I constructed at different point instances as shown in Table 7. As the attributes of those entities constructed by observers were different, the perceived change in those entities was also different.

Construction of different static entities can be used to illustrate that the concept of time is a construction of individuals. As discussed in Section 4.5, the evidence presented in this chapter shows that observers construct time intervals subject to how they perceive change in the entities that they constructed in different aspects of the context of the organisation. The time intervals that I perceived in each aspect of the

context of the organisation differed based on the perceived change of the entities that I constructed, and the level of significance that I, the authors of documentary sources, or the informants placed upon events perceived in Sri Lanka Telecom and its context. Accordingly, the time periods I identified for each aspect were different from those of the other authors or informants identified. For instance, as mentioned in Section 5.4.3, informants constructed periods as pre- and post-privatisation based on their knowledge of Sri Lanka Telecom and the level of significance they assigned to the event, that is privatisation. However, according to the evidence I obtained and presented in this chapter, Sri Lanka Telecom has been impermanent and I could identify more periods with relatively shorter intervals as shown in Section 5.4.

Further, as shown in Table 3, as I perceived changes in different aspects at varying point instances, the time intervals that I constructed for change in Sri Lanka Telecom did not coincide with the intervals constructed for other aspects. This is because construction of time periods depends on observers' knowledge about what is being studied, the ability to perceive impermanence and the level of significance paid to what they perceived. Table 3 illustrated that as the intervals of change I perceived in Sri Lanka Telecom do not coincide with other aspects of the context, studying one or a few selected aspects of the context will be insufficient to provide interpretations of the change in Sri Lanka Telecom.

As explained in Section 4.8, consideration of the whole context will result in a more comprehensive interpretation of change of the organisation. Section 5.4 demonstrated how I was able to interpret the change I perceived in Sri Lanka Telecom drawing on knowledge from other aspects of its context. Claims by informants illustrated that they constructed different opinions, perceptions and knowledge about the change in Sri Lanka Telecom, and that they try to interpret change in terms of the few changes that they perceived in the context of the organisation.

The next chapter presents the knowledge that I constructed about the impermanence of accounting practices through association with the knowledge that I constructed and presented in this chapter.

Chapter 6

Impermanence of Accounting Practices

The main purpose of this chapter is to present my knowledge about impermanence in accounting practices of Sri Lanka Telecom, from its inception up to 2010. As discussed in Chapter Four, because each observer's constructed entities are inherently diverse, individuals perceive accounting practices and change therein differently. Further, their constructed knowledge about accounting practices are also different. Thus, the knowledge presented in this chapter consists of *my perceptions* of the accounting practices adopted and discarded by Sri Lanka Telecom at different points of time. These are according to *my observations* and *my interpretations* of how and why these practices materialised, dissipated and have exhibited impermanence at different point instances.

In fulfilling this main purpose I also show that individuals' perceptions about impermanence are relative to the knowledge they construct about the organisation. This is based upon my argument outlined in Chapter Two, that the entity under consideration, that is Sri Lanka Telecom, is a construction of observers, including informants, authors of the documentary sources and myself. The entities that the observers constructed at various point instances from the inception of Sri Lanka Telecom to 2010 also depend upon how they perceive what I am positing as impermanence in Sri Lanka Telecom. Thus, the change perceived in the organisation and its accounting practices is relative to observers' various constructions.

Returning to my main purpose, to construct the knowledge I am presenting, I used both evidence provided by different informants and collected from documents. The constructions presented in the previous chapter about the context of Sri Lanka; global trends in the telecommunications industry; accounting and the accounting profession in Sri Lanka; and the telecommunications industry in Sri Lanka and Sri Lanka Telecom support my interpretations. By integrating both the documentary evidence and the evidence from informants' knowledge about the organisation, its context and accounting practices, I am demonstrating that I can construct a relatively comprehensive knowledge about impermanence in accounting practices because of the range of information at hand. My construction indicates that we cannot find

absolute causes for change in accounting practices as any cause identified by observers is subject to their constructions about the organisation. These are relative to their knowledge, experiences and interests.

I faced various difficulties in presenting the knowledge that is covered in this chapter. I feel that I need to explain these in order to help the reader. Reiterating, I obtained evidence on impermanence in accounting practices from a range of sources, which covered different aspects of change. The one commonality across the range of evidence was to associate these changes with variations in the legal form of the organisation. Therefore, I have used the observed changes of legal form as a point of reference for presenting the evidence. Hence, I separate the knowledge into four sections, as follows:

- Colonial Department period (Section 6.1)
- Government Department period (Section 6.2)
- Sri Lanka Telecom Corporation period (Section 6.3)
- Sri Lanka Telecom period (Section 6.4)

I need to stress, however, that the properties of the entities of Sri Lanka Telecom constructed by various informants and authors of documentary evidence at each point of change in legal form were different because of the differences of each observer's perceptions. For example, the properties that I perceived in Sri Lanka Telecom at the point of privatisation were different from what I came to understand as being perceived by individual informants. Furthermore, it is important to note that even though I use the changes in the legal form as a point of reference, whenever I perceive a change in Sri Lanka Telecom or in its context, the properties of the entity that I construct changes.

As for the accounting practices that I perceived in Sri Lanka Telecom while each legal form existed, I present these in the following sub-sections: elements and nature of reporting/accounting practices; revenue, pricing and costing; decision making structure/decision making process; operational performance; employee performance evaluation; accounting controls; planning tools; revenue assurance; and quality assurance.

Although this list of factors has affected or reflects accounting practices at various times, the relevance of each factor in each period was subject to the various entities of the organisation that I constructed and how I perceived their properties based on the knowledge obtained from informants and documentary evidence. The following paragraphs clarify this matter.

The knowledge that I constructed about accounting practices during the Sri Lanka Telecom Corporation period (i.e., in Section 6.3) were generally similar to those practices that I perceived during the previous, Department period, except for the introduction of some additional accounting controls, changes to reports produced, decision making and the introduction of computer applications. Thus, sub-sections about the Sri Lanka Telecom Corporation period only present these differences as I perceive them during this period.

I discuss planning tools separately only during the Government Department, Sri Lanka Telecom Corporation and Sri Lanka Telecom period, in other words, after Sri Lankan independence and not during the Colonial Department period. This is because, although methods that might be interpreted as planning tools must have been used during the Colonial Department period, in preparing the revenue and expenditure estimates, the term “planning” was not specifically mentioned in the Administration Reports or Ceylon Blue Books. After independence, estimates of expenditure and budgets were produced, probably as part of funding applications made to the Government for telecommunication development projects it might finance. These requests continued until the organisation was transformed into a corporation. As I perceived this process as planning for the Government Department’s future projects, I included preparation of budgets and estimates under the subheading, “planning tools”. However, the preparation of budgets at that time was not perceived by present-day informants as having been planning. This might be a reason for the claims of these informants that no “formal accounting” was practised before privatisation of Sri Lanka Telecom Corporation.¹⁸ After the organisation became a corporation, I observed that planning tools, such as the annual business plan, have been regarded as even more important due to increased competition in the market.

¹⁸ The term “formal accounting” was used by the informants to refer to accounting practices that they perceived after privatisation. It appeared that they used this term to cover accounting practices such as preparation of profit and loss accounts and balance sheets, cost controls, benchmarking and quality assurance.

In the Colonial Department period and the Government Department periods, computer applications had not yet been “invented” and accounting information was paper-based. As specifically discussed by the Head of the Accounts division, an important change in accounting practices was the use of computer applications for producing accounting reports. This was established in 1991, and so was a feature in the Sri Lanka Telecom Corporation and Sri Lanka Telecom periods. According to informants from accounting-related divisions, the use of computer applications for accounting was expanded after privatisation, along with technological developments in telecommunications and the increased complexity in Sri Lanka Telecom’s operations. These changes that I perceived in the usage of computer applications for accounting are explained under the sub-section of “Elements and nature of reporting/accounting practices” in the Sri Lanka Telecom Corporation and Sri Lanka Telecom periods.

I found that operational performance and employee performance were evaluated separately from the inception of the organisation until 1996, and as such I discuss these distinctly during these periods. I observed that Sri Lanka Telecom’ senior managers have been making attempts to integrate the evaluation of operational performance with employee performance since it became a privately owned organisation. Therefore, in contrast to the other periods, I discuss the impermanence I perceived in these two areas together in the Sri Lanka Telecom period.

The introduction of revenue assurance and quality assurance programmes are some major changes I perceived only during the Sri Lanka Telecom period. Thus, these two additional sub-sections are included for the Sri Lanka Telecom period. I constructed my knowledge about the impermanence in these two aspects from the changes perceived by informants in Revenue Assurance and Quality Assurance divisions. Other informants did not perceive these changes owing to lack of knowledge or those changes not being significant for them.

A further point I have to note is that the nature of the change in accounting practices I perceived in each period vary with the nature of the historical evidence available. The main source of evidence until up to the 1990s was the historical documents. Therefore, my knowledge about change in accounting practices up to the Sri Lanka Telecom Corporation period is mostly about the changes of accounting reports. For

example, the changes indicated in Sections 6.1, 6.2 and 6.3 are the changes that I perceived in the accounting reports based on the evidence presented in documents such as Administration Reports, Blue Books, Sessional Papers and Annual Reports of the Corporation. However, I was able to construct my knowledge of accounting practices that were presumed to be applied during this period based upon the information reported in those reports as explained in the respective sections under each period.

In contrast, my knowledge constructed about accounting practices during the period after privatisation consists of how accounting is practised at Sri Lanka Telecom and how different informants perceived the changes in those processes related to accounting practices. This is because my main source of evidence for this period was the knowledge of the informants about Sri Lanka Telecom's accounting practices. As informants were aware of how accounting is practised at Sri Lanka Telecom, they explained to me how and why accounting practices are introduced or discarded in Sri Lanka Telecom and records kept according to their perceptions. Therefore, Section 6.5, which shows the change I observed during the Sri Lanka Telecom period mainly consists of changes in the application of accounting practices based on the information requirements of Sri Lanka Telecom.

6.1. Colonial Department period (1857 – 1948)

From its inception in 1857, administration processes used in the Colonial Department were derived from the common government administrative system, as implemented across the Colonial Government under the Colebrooke-Cameron reforms of 1833. As mentioned in Section 5.1.2, similar to other government departments, the Colonial Department's work was financed by the taxes collected and funds obtained from the Colonial Government Treasury. Even though the Colonial Department's work was mostly financed using the funds earned within the country, the Governor and other members of the Executive Council were responsible for reporting the administration and management of funds of the Colonial Department to the London Colonial Office. The Postmaster General and Director of Telegraphs sent Administration Reports

through the Governor to the Secretary of State in London (see Figure 16).¹⁹ Administration Reports also included letters and reports sent by Inspectors of Electric Telegraph Offices, the Superintendent of Telegraphs and the Colonial Secretary in Colombo. The Colonial Department did not have reporting obligations to a general public in Sri Lanka. From the inception of the Ceylon Telegraph Department until independence in 1948, reports were sent annually (with a few exceptions during the two World War periods) during the Colonial Department period.

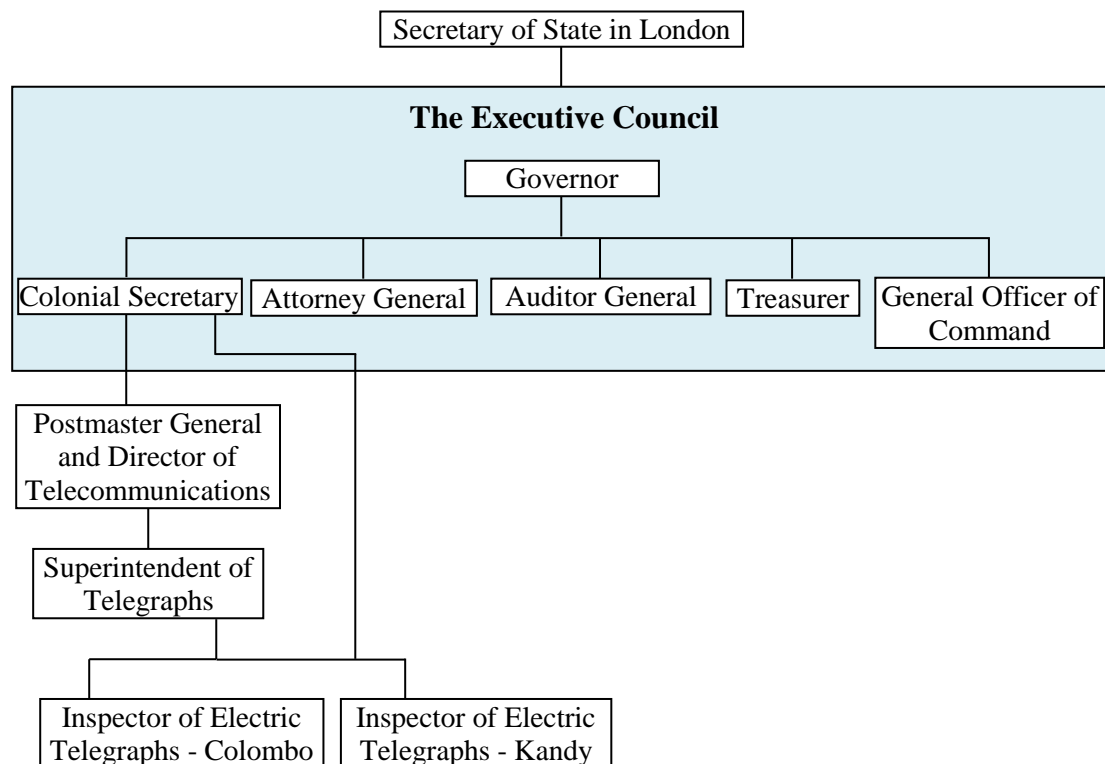


Figure 16: The Administrative Structure of the Colony Government and the Department during the Colonial Department Period

In the rest of this section I present the knowledge that I constructed about accounting practices in the Colonial Department. The Administration Reports, Ceylon Blue Books and Sessional Papers were the fundamental documents for evidence of the activities of the Colonial Department. According to what was stated in these Reports, the Colonial Department reported information relating to financial performance, technical performance, administration of the staff and other general administrative

¹⁹ Figure 16 is constructed by me based upon the information available in the Administration Reports. The official administrative structure might differ from my construction.

matters, and the staff of the Colonial Department used accounting information for internal decision making purposes.

As stated above, the Colonial Department made reports up the colonial chain of command to London. Whether this is “internal” or “external” seems not to be a particularly appropriate distinction to make as they did not make such a distinction clear. In any case, both financial information and management information were collected in the Colonial Department. The information included expenditure of the Colonial Department and revenue earned by the Colonial Department, measures of efficiency of operations, details of investigations of frauds and irregularities, accounts about funds borrowed and indicators about performance of employees. The knowledge that I constructed about the accounting practices during the Colonial Department period can be catalogued into elements and nature of reporting practices; revenue, pricing and costing; decision making; operational performance; evaluation of employees’ performance; and accounting controls. How I perceived the impermanence of each aspect is presented in the following sub sections:

Section 6.1.1 Elements and nature of reporting practices

Section 6.1.2 Objectives and significance of revenue, pricing and costing of the Colonial Department’s services

Section 6.1.3 Decision making structure and significance of decision making

Section 6.1.4 Evaluation of operational performance of the Colonial Department

Section 6.1.5 Evaluation of performance of employees and its significance

Section 6.1.6 Accounting controls practised within the Colonial Department

6.1.1. Elements and nature of reporting practices

In this section I detail the changes that I observed in the elements and nature of reports presented in the Administration Reports during the British Colonial period. The Administration Reports indicate that all the accounting reporting practices of the Colonial Department were carried out manually. Based on the knowledge that I constructed about Sri Lanka Telecom and its context during this period, it can be surmised that manual production of accounting reports was suitable because there were few subscribers, operations were not complex, and services were limited to a

compact geographical area. Thus, there was no need for automated technology to gather information or for generating accounting reports. Even so, information about most of the categories that are used today has been collected and reported since the inception of the Ceylon Telegraph Department.

By considering the evidence reported in Administration Reports during the British period, I conclude that the information to be included in accounting reports was determined according to the objectives of the Colonial Department, the sources of finance, the legal form, the nature of the business, to whom the information was sent, by whom the information was sent, and the uses made of accounting information.

The accounting reports produced regarding the operations of the Colonial Department depended heavily on regulations and policies of international conventions, as telecommunication operations have always been international, and therefore international consensus has been essential. In addition, provision of all accounting information and application of management practices generally had to be aligned to the common procedures of government departments. This was required to maintain consistency between all government departments controlled by the Colony Government. Thus, I observed that control systems and management accounting practices could not generally be developed independently by the Colonial Department according to its specific requirements except for matters that required international consensus.

Financial performance, administration of the staff and technical performance are the key considerations presented in the Administration Reports of this period. The series of reports started with a collection of information statements and this collection was gradually expanded. From this I have been able to make a list of the original items reported in 1858 and additions, alterations and deletions to reporting practices during this period. These are listed in Table 8 and explained subsequently.

Financial reports

Accounting information reported in the 1858 Administration Report for the Ceylon Telegraph Department is similar to the information reported by other colonial departments. I perceived that the Colonial Department introduced new accounting statements from time to time, depending on the information requirements of the

British Administrators and to meet the changing needs of the regulatory system of the country. For example, preparation of balance sheets, and statements of income/revenue, expenditure, and estimated value of the work done free for other departments commenced at the beginning of the 1900s (see Table 8). Introduction of new financial regulations and improvements to the country's administrative system during the late nineteenth century are reflected in the accounting reports of the Ceylon Telegraph Department.

Table 8: Accounting Reports Perceived in the Colonial Department

Year	Accounting Reports Perceived in the Colonial Department
1858	Financial Performance; Analysis of profits, costs, details of special projects, estimates of receipts, financial controls and issues in controls; Operational Performance; Delays in transmission, expansions in network, maintenance activities; Administration of staff and general administration
1876	Statement of loss suffered by the Government of India
1900	An analysis of the services provided to other countries
1904	Balance sheet, statements of income/revenue and expenditure, revenue analysis
1906	Statement of estimated value of work done free for other departments
1935	Commercial Accounts
1939	Free services and concessions given to military forces
1942	Auditing of the statements Reconciliation between cash figures and commercial accounts figures
1946	Statement of loan liabilities to the Ceylon government

Reporting of financial information usually included an analysis of costs, details of special projects, estimates of cash receipts, estimates of revenue and expenditure, a balance sheet, details of inventory, financial controls and issues in controls, and mismanagement of resources. The impermanence that I observed with regard to financial reports is as follows.

Statement of loss suffered by the Government of India

This statement appeared in the Administration Report for the year 1875-76. During this period, particular capital projects were undertaken financed by the Government of India. There had been a dispute between the Governments of India and Ceylon on initiating these projects owing to the possible losses foreseen by the Government of Ceylon. Therefore, the Government of Ceylon calculated the loss pertaining to these projects and showed it as a loss borne by the Government of India. According to

evidence obtained from Administration Reports, such disputes were resolved and consensus reached after consulting the London Colonial Office.

Analysis of the services provided between Sri Lanka and other countries

This report includes services provided by the Colonial Department analysed into British colonies and other countries separately. Value of services was presented according to 19 individual countries. Services provided to India, the United Kingdom and British Colonies was further analysed in separate statements. Such an analysis was first found in the Administration Report of 1900, where the total value of the services provided to other countries was Rs. 247,673. I observe that towards the 1940s, the statement had become summarised, compared to the detail provided by individual country in earlier periods. The statements during the 1940s analysed the value only into two sections: services provided to India and to other countries. The total value of the services provided to other countries in 1946-47 amounted to Rs. 3,432,747.

Balance Sheet, statements of income/revenue, expenditure

Before 1904 a description about assets of the Ceylon Telegraph Department, including land, buildings, furniture and equipment, was included in the Administration Reports. Those descriptions included expenses incurred for additions, alterations and rent of buildings, and for replacing furniture, machinery and equipment. These details were accompanied by justifications for such changes in the assets of the Ceylon Telegraph Department. Balance sheets and income/revenue and expenditure statements were first found in the 1904 Administration Report. The balance sheet showed values of assets, liabilities and reserves. Assets included cash and investments made in the Governments of Ceylon, India, Canada and Queensland. The investments were shown at cost and as a percentage of stocks. My perception is that the format of the balance sheets by the 1950s was similar to current formats, reporting the capital account; tangible assets, such as motor vehicles and machinery; current assets, such as debtors and advances; security deposits and investments; creditors; and reserves and surplus.

Statements of income/revenue and of expenditure were prepared separately for each year. I found the term “revenue” in the very early periods in Administration Reports

whereas “income” was used from the 1940s. Revenue of the Colonial Department was reported for different services individually and a comparison with the revenue for the past few years was reported in a separate statement. The revenue of the Colonial Department grew from Rs. 93,500 in 1876-77; Rs. 2,344,688 in 1914; Rs. 6,915,985 in 1935-36 to Rs. 17,474,625 in 1945-46. Expenditure of the Colonial Department was reported under different items with comparisons for the previous few years. The expenditure statements from 1904 were analysed by the following items: personal emoluments, other charges and special expenditure. The total expenditure of the Ceylon Telegraph Department in 1904 was Rs. 1,217,616, compared to Rs. 8,970,778 in 1936. However, the classification of expenditure items was changed from the mid-1940s. The total expenditure for the year 1945-46 was Rs. 16,531,142, and it was classified by administrative and operating expenses; running expenses; maintenance; conveyance of mails; lighting, rent; electric current and water supply; travelling; cost of printing; and services rendered without payments. I perceive the increase in the expenditure as a reason for changes in the classification of expenditure items.

Estimated value of the work done free for other departments

This is a statement that I found in Administration Reports indicating the total value of services provided at no charge to other departments. The total value of the services was categorised according to types of services provided by the Ceylon Telegraph Department. This statement continued from 1906 until the end of the 1930s. The value of the services provided to other government departments gradually increased from Rs. 242,361 in 1906; Rs. 603,182 in 1919; to Rs. 1,326,173 in 1935-36. According to the Administration Report of 1953-54, initial and maintenance expenses incurred for services provided to other government departments and to Sub-Post Offices in rural areas were financed from the income earned within the Posts and Telecommunications Department. From 1942, the estimated value of the services provided to other government departments was included as a part of the statement, “reconciliation between cash figures and commercial accounts figures”.

Commercial Accounts

The financial accounts of the Ceylon Telegraph Department were maintained in accordance with the other government departments until 1935. However, it started

preparing commercial accounts in 1935, as the operations took on a business nature and the financial accounts of the Government did not provide the information that was necessary for a business organisation. The purpose of preparing Commercial Accounts was to show the financial results of the operations of the Colonial Department on a commercial basis as a whole, and for different services, classified as Postal, Telegraphs and Telephones. The commercial accounts have accounted for the value of the services provided to and obtained from other government departments. Whenever practicable, cash transactions have been adjusted for the revenue and expenditure applicable to the reporting year. Commercial Accounts consisted of comparative income figures, comparative expenditure figures and capital expenditure.

Reconciliation between cash figures and commercial accounts figures

A statement reconciling the balances in commercial accounts and cash balances first appeared in the Administration Report of 1942 and continued thereafter. The revenue and expenditure balances in the commercial accounts and the cash balances were different owing to the services provided free of charge to other departments and services obtained from other government departments. These services were valued at cost or at public rates. Similar accounting practices were applied to value the services obtained from other government departments. No monetary value was brought into the accounts for services of national or social importance or for services that involved immaterial additional costs for the Posts and Telecommunications Department.

Statement of loan liabilities with the Ceylon Government

This statement was first found in the 1946-47 Administration Report and reported until the end of the 1950s.²⁰ As reported in the Administration Reports, the objective of this statement was to provide details and the amounts to be repaid of the funds borrowed from the Colony Government prior to 1941 for capital undertakings. Preparation of this statement might have been important in order to know the amount that the Colonial Department owed to the Colonial Government at the point of Independence. Each statement reported outstanding balances of the borrowings as at the end of 1925 up to the reporting period. The statement reported the capital amount,

²⁰ I did not find such statements in the reports of the 1960s.

interest charged, amount settled for the period and amount outstanding at the end of each reporting period. The Posts and Telecommunications Department owed the Colony Government Rs. 226,042 as at 30 September, 1947.

Free services and concessions given to military forces

The commercial accounts in the Administration Reports from 1939-45 reported details regarding free services and concessions rendered to military services of the Colonial Government in each year. These details were found only during this Second World War period. Even though it is not specifically mentioned how those free services were financed, from what is mentioned in the Administration Reports it can be assumed that the Ceylon Treasury had provided funds for such free services.

Auditing

The report of the Postmaster General included a section describing investigations of frauds, forgeries and other irregularities. This section explained the nature of frauds, actions taken for individuals who were found guilty and reasons for irregularities. These investigations were carried out by the Investigating Inspector of the Posts and Telecommunications Department. From 1942, details regarding surprise visits carried out by the Audit Examiner and inspections were reported.

Administration of staff and general administration

I found descriptions related to the Colonial Department's staff in the Administration Reports, including classification of staff according to grades of positions, present and future salary scales, details and number of new appointments and details of transfers. These reports include justifications for new appointments, increments to salary, advice obtained from the Governor to make necessary changes regarding staff and other general administrative matters. There were no further details of the staff (e.g., no classification by race or gender). The number of permanent employees working in the Ceylon Telegraph Department in 1905 was 1,280; this had increased to 2,808 by 1919. Administration Reports of the 1930s and 1940s mainly reported the changes introduced to salary scales, reasons for such changes and reasons for employing temporary staff. A main change that I observed in the Administration Reports of the 1940s is the incorporation of details of training of the staff.

Technical performance

A section in the Administration Reports provided details of the Colonial Department's technical performance from its inception. These records included volume and value of services provided analysed into types of services provided (e.g., number of parcels delivered, number of money orders and number of telegraphs), services provided within the country and to foreign countries where applicable, delays in transmission, expansions of the network, maintenance activities, number of new offices, number of interruptions, mileage of wire in use and average time of interruption per mile of wire.

Overall, my perception is that the accounting reports produced throughout this Colonial Department period were very similar, except for the changes mentioned in Table 8. I perceived slight changes in the way accounting information was presented and management controls adopted. For example, I observed use of different performance measures when changes in technology were adopted such as number of telegrams sent, length of the new telegraph lines established, annual telephone traffic, growth of calls and messages; and varying management controls, such as reconciliation of commercial accounts and the cash balance and surprise visits of the Audit Examiner, alongside changes in the accounting profession in Sri Lanka (e.g., establishment of the Ceylon Accountancy Board in 1941). An exception to general reporting practices was the Posts and Telecommunications Department's information requirements related to cost efficiency and optimal resource usage during the Second World War period because resources were scarce. Accordingly, additional accounting information related to improving cost efficiency and optimal resource usage were included in the Administration Reports of the war period. Informants were all unaware of this knowledge I constructed about impermanence in accounting reports produced during the Colonial Department period.

In my considered opinion, there was little standardisation in preparing accounting reports. I observed slight changes in terms of the content and information used. In most instances, comparative information was provided for items such as revenue, expenditure, volume of communications and number of employees. Thus, accounting reports were consistent to a certain extent in terms of their content in order to permit comparison with previous periods. However, there was no standard for reporting comparative figures in reporting revenue of the Colonial Department. Most of the

comparative figures before the 1940s included details of 7-10 years earlier, as there was a lesser volume of information to be reported and the operations were less complicated. However, the number of years shown in comparative figures gradually reduced towards the end of the 1940s, coinciding with the number of local subscribers and the volume of services provided increasing. Moreover, slight changes in the naming conventions were found from the late 1940s. For example, Capital Accounts, General Income and Expenditure Account, Reconciliation between Cash Figures and Commercial Accounts Figure, Estimate of Probable Receipts and Income, Summary of Profit and Loss Account, and Commercial Accounts were found in Administration Reports of the late 1940s and early 1950s, as distinct from the reports named Revenue of the Department, Expenditure of the Department and Estimated Value of the Work Done Free for Other Departments.

The appearance from 1900 onwards of statements analysing the services provided to other countries in the previous 10 years can be understood in terms of the knowledge that I constructed about the telecommunications industry of Sri Lanka during this period. I perceived that the increased telecommunications between countries during the late nineteenth century increased the need for keeping records about international services. Statements had been prepared for each service provided to other countries separately. However, the reports of the 1940s did not include such a detailed analysis. Based on the knowledge that I constructed about the context of Sri Lanka Telecom, I found a few reasons for this change. One reason for the summarisation of the statements might have been the growth of the value of the services provided to other countries by the Colonial Department. Secondly, during the 1940s telecommunication services were mainly used for the war and did not provide services for non-allied countries. Thirdly, after independence, reporting information according to British colonies and other countries was no longer relevant as the Government Department was held accountable to the Central Government of Ceylon. Also, it was difficult to report the services provided to each country separately as the number of countries that the Colonial Department dealt with was much higher by the end of the 1940s. Further, as telecommunication services were concentrated in Colombo and a few other major cities until the 1940s, performance of the Colonial Department was originally reported according to those cities. However, I perceived that as the operations expanded after

the 1950s, the reports provided a summary of the performance and the regions of operations changed (e.g., see Figure 15).

6.1.2. Revenue, pricing and costing

From the beginning of telecommunications services in Sri Lanka until the late nineteenth century, services were mainly provided to other departments of the Colony Government and to British commercial organisations operating in Sri Lanka. Telecommunications were also used in administrative activities between London, India and Sri Lanka. The Colonial Department attempted to provide the services at minimum cost. My conclusion based on evidence found in Administration Reports is that pricing decisions were not that important for the Colonial Department.

As it was government-owned, the Colonial Department had to provide free services to other departments, its objective being to facilitate administration not within itself but for the British Government and the British Colony: this included enabling the Colony administration to generate tax and other revenue. Thus, the Colonial Department provided services to other government departments free of charge in order to avoid the creation of Fictitious Colonial Revenue. Its operational funding came from Colony revenue. Even so, the Colonial Department kept an account of the value of the services provided to other Departments (at cost or public rates). Examples are the statements of estimated value of the work done free for other departments, and the report of details of free services and some concessions given to military forces during the war period, both mentioned in Section 6.1.1. Evidence was not found in the Administration Reports of special rates applicable for British companies. Therefore, it can be assumed that British companies paid business rates for services obtained from the Colonial Department.

During the late 1890s the Ceylon Telegraph Department started to provide its services to the public. However, this was on a very small scale. I assume that a key objective of providing services to the public would have been the maximum utilisation of the Colonial Department's excess capacity as well as meeting economic and political demands that the Colony administration was expected to satisfy, including because of the public monopoly position the Colonial Department occupied. Thus, the revenue from public services was extra revenue for the Colonial Department at very little extra

expense. Provision of services at affordable rates for the public was financially viable for the Colonial Department. According to Sessional Paper (1943), assessment of “business” and “residential” rates by the mid-twentieth century on residential bungalow connections provided to professionals who did not have a separate private connection caused some problems, which was a common difficulty for Sri Lanka and other countries. Sri Lanka followed the practice in Britain in this regard, which determined the rates depending on the time (e.g., peak and off-peak) at which the services were provided or obtained.

6.1.3. Decision making structure

According to the knowledge that I constructed about the very beginning of the Colonial Department, the person responsible for the accounts of the Colonial Department was the Inspector of the Telegraph Department (see Figure 16). The finance function was centrally handled by the Colonial Department as a control mechanism, and no authority was given to lower level employees. Based on my understanding of the Colonial Department’s context, the non-delegation of financial activities and the record keeping of financial activities being carried out by the head of the institution can be attributed to lack of staff during the early period; lack of knowledge of local people about handling financial activities and record keeping; the possibility that delegation of authority could create room for fraudulent activities; and unwillingness to appoint indigenous people to administrative positions and delegate authority within the Colonial Department. Only British people were appointed to managerial positions and to handle financial activities. Also, the limited business activities during the early period did not require many administrative positions as the Colonial Department’s operations were not complex. Central concentration of accounting functions and decision making can be seen until privatisation of the Government Corporation.

This lack of delegation that I observed during the Department period was criticised by most of the informants. Claims made by most of the informants indicated that decision making power was not delegated. In particular, decisions regarding allocation of funds were handled centrally at the Head Office in Colombo and the Ministry of Posts and Telecommunications until privatisation. As the informants lacked the knowledge that I constructed about the colonial period, they tend to

understand the issues involved in the slow decision making process in terms of problems associated with having been a Government Department. Thus, most of the informants claimed that privatisation of the organisation was the solution for the apparent problems they perceived. I observed that the Government used this general perception of employees of the Government Department to justify the privatisation process and convince the employees. Based on this evidence, I perceived that the state of decision making practices at the point of independence was not challenged by the local administrators and continued until privatisation.

It appears that accounting information was used especially by the Postmaster General, the Superintendent of Telegraphs and the Colonial Secretary, Ceylon (see Figure 16) in making decisions related to investments in improvements to and expansion of the business, and related to promotion of employees. The accounting information mentioned in Section 6.1.1 was also supplemented by justifications for the decisions taken. Relevant information was collected from the Inspectors of Electric Telegraph Offices in Colombo and Kandy, who were responsible for the telegraphic operations in the country. The information referred to in Section 6.1.1 was processed and sent each month to the Colonial Secretary in Colombo, informing him of the value of the work done, related expenses and interruptions. The monthly expenses were reported for each office and by input item. Such information seems to have been needed for internal decision making from the inception of the Colonial Department. Annual accounting information and the descriptions included in the Administration Reports sent to the London Colonial Office were derived from the monthly reports and information submitted by Inspectors of Electric Telegraph Offices in Colombo and Kandy.

I found that return on the investments made by the Colonial Offices in India and Ceylon to carry out telegraphic operations in Sri Lanka was a key area of reporting. As both Colonial Offices were ultimately accountable to the British Empire, each year the Postmaster General, Ceylon, sent information relating to the value of the work completed in the year, and the importance of undertaking such work for improving the operations within the country. It can be surmised that information such as estimates of revenue and expenditure and details of various interruptions that had occurred during the period, especially those due to technical reasons, were important for allocating

required funds for operational expenditure, which was mostly financed by tax collected in Ceylon.

Based on my knowledge about the accounting practices of this period, I perceive that information relevant for both capital expenditure and operational expenditure was used as a justification for requesting funds from the Colonial Offices in Ceylon and India to meet investment and operational expenditure for the next period. In making such requests, terms used by the superintendent of the Ceylon Telegraph Department in the Administration Reports, such as “the cheapest in the long run”, implied to me that the Colonial Office in Ceylon was concerned about minimising its costs of operations by investing in the most advanced telecommunication technology of the day and paying attention to long term performance. I found that informants could not construct this knowledge that I constructed about investment and operational decisions. This lack of knowledge might be the reason for their claims such as “the Department did not use formal accounting practices before privatisation”.

6.1.4. Operational performance

From the information included in the reports about operational activities, I understood that the Colonial Department was primarily focused on technical improvements. The Administration Reports mainly covered the progress of the operations of the Colonial Department, and suggestions for future improvements that would benefit the British Empire. As the Colonial Secretary, the Postmaster General and the Superintendent of Colonial Department were appointed by the Colonial Office, London, all reports sent to London could be viewed as justification of their decisions taken during the period with regard to improvements made to the operations of the Colonial Department. They were accompanied by relevant performance measures and statistics, showing annual traffic, growth of volumes of calls and messages, delays in transmission, duration of calls, associated cost information, controls that had been implemented, explanations for fraud or theft of inventories and mismanagement of assets. Accordingly, I perceived that during the Colonial Department period, annual revenue, expenditure and operations comparison were focused on providing information about the progress of the Colonial Department, so as to reflect the efficiency of administration by the head of the Colonial Department.

I observed that the information included in Administration Reports changed with the nature of the services provided by the Colonial Department. For example, the Administration Report of 1900 reported delays in transmission (with a comparison to the last 10 years), permission given to the military to use the Ceylon Telegraph Department's resources, the number of offices maintained, the number of subscribers (private lines, police and prison lines, railway telephones, and telephones used in Colombo separately), the number of complaints and visits paid by inspectors. As I perceive, measures such as the number of people on the waiting list, the number of new connections/withdrawals and complaints received had become important to the Ceylon Telegraph Department by this time, as telephone services were provided to the public from 1896 onwards.

Based on the knowledge that I constructed about the organisation until independence, the number of subscribers was very limited and their requirements were not complex: they just needed the basic product to make and receive calls. Moreover, the Colonial Department was the sole provider of telecommunication services. Thus, I found that the need to satisfy subscribers was not the focus of the Colonial Department, instead it focused on the improvement of the technological aspects and expanding the network. The need to pay attention to other commercial aspects was not significant. In contrast, informants from Sri Lanka Telecom lacked this knowledge about the organisation and its context during the Colonial period. Thus, they claimed that, because it was a Government Department, the organisation was not allowed to operate with commercial objectives.

6.1.5. Evaluation of employees' performance

As the number of employees of the Colonial Department was very few during the British period, I deduced that the need for individual performance evaluation was not that important or could be done by personal observations. However, I observed that the Colonial Department needed to pay more attention to performance of employees after it started providing services to the public in 1896. From my constructed knowledge, I believe that owing to the number of the complaints received from the public about the Colonial Department's services, the Colonial Department had to improve efficiency and standard of service.

With growing demand for services during the 1920s and 1930s, special attention was paid to improving the efficiency of the technical staff. Moreover, recruitment of local employees during this period also increased the need for keeping employee performance records to improve performance. As mentioned in Section 5.1.2, it was then a common practice to recruit Sri Lankans to government service as it was difficult to attract British employees to work in Sri Lanka and relatively less costly to employ from the local pool of workers. This interpretation of the importance of measuring performance of employees to the Colonial Department was derived based on the knowledge that I constructed about the Colonial Department and its context.

As I found in the Administration Reports, similar to other government departments, the Colonial Department had very limited resources during the colonial period, especially during the Second World War period. This is another event I perceived as vital in constructing my knowledge about the importance of employee performance evaluation during the 1940s. I found that the need for improving the efficiency of workers during this period was essential due to the resource constraints. The Posts and Telecommunications Department was required to measure the efficiency of workers and give details of performance improvements in Administration Reports. For example, Administration Reports during the war period reported that the efficiency of Sri Lankan female operators had reached a high standard during the 1940s.

Administration Reports indicate that most of the time the Head of the Colonial Department had knowledge about individual employees and their performance. Thus, in cases of mismanagement of resources or fraud resulting in dismissal of the employee, for example, explanations were made to London.

Similarly, the Head of the Department requested permission from the Colonial Office, Ceylon, to recruit and to give salary increments to employees who had performed at a satisfactory level and carried out extra work. Therefore, even though there were no systematic individual performance measures, the Head of the Colonial Department kept written records of performance of individual employees. Characteristics of the performance evaluation system that I perceived during the Colonial Department is quite similar to the knowledge that I constructed about how the organisation evaluated performance of employees during the Government Department period (explained in Section 6.2.5). However, the Administration Reports indicate that, from time to time,

modifications were introduced to the performance evaluation system as necessary due to different reasons, such as introduction of new services and technologies (telegraph money orders in 1893, automatic exchanges in 1923, international telephone services in 1935), introduction of services to the public in 1896 and the importance of measuring efficiency of employees during the two World War periods.

6.1.6. Accounting controls

From the evidence available in the Administration Reports, I established that controls such as inventory controls, safeguarding of assets and cost controls, including details of actions taken to reduce cost of operations, had been practised during the Colonial Department period. I observed that the Colonial Department had paid special attention to cost controls during the World War periods owing to resource constraints.

I observed some evidence with regard to implementation and practical issues of accounting controls from the Administration Reports. In spite of the maintenance of records and rigid controls, some mismanagement and theft of inventories and noncompliance with procedures to safeguard cash assets were reported, with detailed information on specific incidents. For example, in a case of noncompliance with procedures of cash management, the name of the office and the officer, details of the incident, immediate actions taken, punishment given to the officer and suggestions to prevent such future incidents were all reported. I perceive these details as a justification of the actions taken by the Head of the Colonial Department. Even though the Colonial Department had to comply with the government unitary administrative system, I discovered that it had the flexibility to occasionally introduce new accounting and management controls to overcome any issues (as long as these introductions did not affect the overall government regulations). Moreover, surprise visits of the Audit Examiner and investigations carried out from 1942 can be understood in terms of the changes taking place in the accounting profession in Sri Lanka (namely, the establishment of the Ceylon Accountancy Board in 1941).

Based on my knowledge constructed about the Colonial Department's accounting practices presented above, we can perceive that the Colonial Department had formal accounting practices which were gradually changing. This is in contrast to the claims

of the informants who believed that Sri Lanka Telecom did not practice formal accounting before privatisation.

6.2. Government Department period (1948 – 1991)

I observed that even after independence from Britain, and the transfer of ownership of the Colonial Department to the Government of Sri Lanka in 1948, the Posts and Telecommunications Department continued British accounting practices. From the knowledge that I constructed in Chapter Five about the context of the organisation, we can see that this is not exceptional, as many other activities in the country continued with British accounting and other practices. Particularly, as I perceive, the accounting profession was also aligned with British professional organisations, as explained in Section 5.3. Indeed, Administration Reports were sent to London even after independence, until Sri Lanka was declared to be a republic in 1972. Since 1972, Administration Reports have been prepared for the Sri Lankan Parliament. The Administration Reports include very similar information to those of the 1940s with only a few reporting differences, primarily that summarised information was provided in a more formal and consistent manner. By the time of independence, Sri Lanka had established financial institutions, some regulatory bodies and accounting bodies with a better financial regulatory system. Based on this knowledge that I constructed about the Government Department and its context during the Government period, how I perceive the impermanence of accounting practices during the Government Department period are presented in sub sections as follows.

Section 6.2.1 Elements and nature of reporting practices

Section 6.2.2 Significance of market pricing and costing to the Government Department and reporting of pricing and costing information

Section 6.2.3 Importance of decision making processes to the Government Department

Section 6.2.4 Evaluation of operational performance of the Government Department

Section 6.2.5 Evaluation of performance of employees of the Government Department

Section 6.2.6 Accounting controls and the purpose of accounting controls

Section 6.2.7 Planning tools used by the Government Department, particularly how budgeting was practised as its main planning tool

6.2.1. Elements and nature of reporting practices

I perceived relatively few changes in the elements and the nature of reports produced within this period compared to the Colonial Department period, as mentioned in Section 6.1.1, in spite of the changes observed in the context of the Government Department. An exception I observed is that the reports during the Government Department period were more consistent and the information more aggregated compared to the earlier period.

As a government department, it had to comply with government financial regulations and administrative regulations. According to the knowledge that I constructed about the context of the organisation, these were inherited by the Government from the British administration. Financial management, which was under the supervision of the Government of Ceylon Treasury, included: the appointment of the Chief Accountant of the Government Department, definition of his responsibilities, maintenance of records of number of employees and their salary rates and scales, monitoring of revenue collection and accounting for it, and adherence to accounting procedures and financial regulations. In addition, all daily cash management and safeguarding of cash, including payments and issuance of cheques, had to be carried out as stipulated in the financial regulations.

According to my observations, the new elements reported in Administration Reports from 1948 included capital and recurrent expenditure budgets, details of future projects, financing of future projects, details of payments and maintenance activities, and reports on safeguarding of physical resources and controls used. Services provided to other government departments and reconciliation and comparison of past performance are some statements that were continued from the colonial period with minor modifications. I did not perceive many changes in accounting practices during

this period. The few changes I could observe during the Government period are listed in Table 9 and elaborated in the following subsections. I attribute the lack of changes or apparent stability to the unitary administrative structure, although limited availability of information about the period may also be significant.

Table 9: New Accounting Reports Perceived in the Government Department

Year	Accounting Reports Perceived in the Government Department
1948	Capital and recurrent expenditure budgets; Details of future projects; Financing of future projects; Reports on safeguarding of physical resources and controls usage
1953	General summary of profit and loss

The application of planning tools was a new accounting practice that I noticed during the Government Department period. In order to receive annual government budget funds from the Government of Sri Lanka Treasury, the Government Department had to prepare an expenditure budget and indicate how that expenditure would be financed. The expenditure categories were subdivided into capital and recurrent expenditure.

General summary of profit and loss

The significant but short-lived addition I perceived in the Administration Reports was the General Summary of Profit and Loss. This statement first appeared in the Administration Report of 1953 but was not found in the reports after the mid-1960s. It included the summarised profit or loss from each service provided by the Posts and Telecommunications Department and the net profit or loss carried forward to the next year (e.g., the profit for the financial year 1956-57 was Rs. 2,360,000; no losses were reported in the sample of reports that I examined), and comparative figures for the past five years. According to the knowledge that I constructed, introduction of this statement can be understood in light of the developments in the accounting profession in Sri Lanka. Also, until 1972, as the Head of the State was the British sovereign, Britain might have demanded reporting of the performance of the Posts and Telecommunications Department in this way. I could not construct a reason for discontinuation of this statement from the mid-1960s owing to the limited availability of information.

Administration of staff and general administration

The Administration Reports included summarised information of trade union activities, employee strikes, accommodation and other welfare services provided to employees, and training of employees. I found that this information was similar to the information provided during the colonial period and continued until the government corporation was privatised.

Significant changes that I perceived in the Administration Reports of this period are details of local language telegraph facilities provided (e.g., the number of offices with Sinhala and Tamil language telegraph facilities) and development projects both in the Colombo area development and outside Colombo during the 1960s. From the knowledge that I constructed about the context of the organisation, these changes can be attributed to the implementation of the Colombo area development projects, the local language policy introduced by the Government and the introduction of local language telegraphic machines by the Posts and Telecommunications Department during this period. Reports from the 1960s included a statement of services provided to overseas countries, in which I perceived some modifications from the information provided during the colonial period: information was relatively summarised and did not have a separate account for services provided to British colonies.

I perceived that the lack of authority and autonomy in the preparation of accounting reports was a major constraint to the Government Department. The Government Department was not free to make the necessary changes to its own administrative system to meet specific requirements as they arose in the organisation and as changes occurred in its environment. After independence, and especially after 1977, the Sri Lankan business sector, complete with commercial objectives, was growing rapidly and, at the same time, there was a growing public demand for telephones. This context required both a decentralised decision making structure in the Government Department and better pricing of services. However, I found that lack of autonomy was a major issue, one which continued until Sri Lanka Telecom Corporation was privatised. This perception is consistent with, and indeed derives in part from, the opinion of many of the informants, that the highly regulated administrative structure did not allow the Government Department to take appropriate action in line with the rapidly changing context.

6.2.2. Market pricing and costing

Similar to during the Colonial Department period, as mentioned in Section 6.1.2, little significance was attributed to pricing decisions in spite of the changes to the Government Department's main objectives after independence. I understand that up until the 1960s the telecommunications services were mainly considered as an infrastructure that supported other economic and administration activities of the country. Thus, as I perceive it, the reason for not measuring the direct financial benefits derived from the developments of the country's telecommunication industry were these macroeconomic objectives of the Government Department, as distinct from microeconomic concerns about organisational profit.

Regardless of the growing demand for telecommunication services relative to the Colonial Department period, particularly from the general public from the late 1970s, the Government Department was the only telecommunications service provider in the country. Therefore, as I perceive, it was in a position to charge monopolistic prices for its services without considering market forces. The public had to accept the prices set by the Government Department, or do without telephones. According to what was reported in the documentary evidence, the high rates charged were mainly about raising internal funds to meet the costs of expanding the network into remote areas. Moreover, according to my knowledge about the context of the Government Department, advanced management accounting practices, which could have been useful for determining pricing strategies, were not developed during this period. However, determining the prices during this period would not have been complicated as the Government Department saw itself as only offering one service. For example, I did not find evidence of trying to distinguish between rates charged for rural and urban areas. I consider this lack of complexity as a reason for not using accounting practices. Due to its monopoly, the cost of expansion and a lack of advanced management accounting practices, the Government Department set high prices for its services. However, the price was a major deterrent for the public and the reason for the number of subscribers remaining low during this period compared to later. The knowledge that I constructed about the pricing of the Government Department's services was different from that of the informants. The knowledge that the informants constructed implied that the problems associated with being a Government

Department were the sole reason for not practising pricing strategies. Thus they did not perceive the other factors, nor indeed the different broader context that I perceived.

My knowledge about the context of the organisation indicates that government departments, despite all being part of a single entity, were viewed as separate units after independence. Therefore, the Government Department accounted for the services rendered to other government departments (e.g., the value of the services provided to other government departments was Rs. 207,606,643 in 1967-68). This information had similarities with the estimated value of the work done at no charge for other departments during the colonial period. It was merely a written record of the value of the services provided by the Government Department to other government departments; and, as managers were not evaluated on financial performance, no special attention or accounting techniques were needed to determine the prices to be charged to other government departments. Further, I observed that in contrast to the colonial period, details of the services provided to military services were not highlighted separately in the reports. According to my knowledge about the context of Sri Lanka, this is because there was no importance for such information during this period as Sri Lanka was not involved in any major wars nor was there any war situation within the country.

6.2.3. Decision making process

Similar to the Colonial Department period, as mentioned in Section 6.1.3, decision making was not delegated and mainly involved implementation of new development projects. However, as explained in the following paragraphs, the reasons for non-delegation and the objectives of development projects were different from during the Colonial Department period. Some senior managers claimed that the Government Department had a centralised decision making structure with regard to operational activities. Particularly, they claimed that changes to Government budget allocations for capital projects had to be approved by the Secretary or the Deputy Secretary to the Treasury, or the Government Department had to wait for Cabinet approval to obtain

extra cash for capital expenditure (see Figure 17)²¹. This is in contrast to the decision making structure during the Colonial period shown in Figure 16. The senior managers claimed that, as a result of the Government structure, the decision making process was very slow compared to the rapid changes that were taking place within the context of the organisation. As mentioned in Section 5.4, this slow decision making process was used as a key justification for the privatisation of the Corporation.

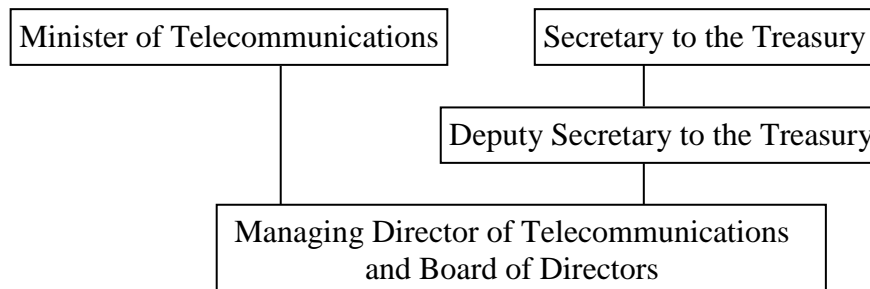


Figure 17: Administrative Structure during the Government Department Period

The Posts and Telecommunications Department implemented new capital projects such as Colombo Area Development Scheme I, 1962-1968 and Colombo Area Development Scheme II, 1972, to adopt new telecommunication technology and to expand the current network. These were to meet the growing demand and to develop the country's infrastructure during the period after independence. Thus, I perceived that decision making was important to the Posts and Telecommunications Department with regard to financing and implementation of these projects.

The major sources of funding of telecommunications development projects after independence were the annual budget allocations by the Government and foreign aid, especially from the International Monetary Fund and the World Bank. Thus, I perceived that decisions regarding implementation of new projects and other investments were most likely based on alignment with the objectives of the Government of Sri Lanka and of the foreign providers of funds to the Government, as the Government Department had to depend on them in raising funds. Consistent with the knowledge that I constructed, a senior manager noted that contractors for foreign funded projects were often selected by the donor agencies. Thus, decision-making

²¹ Figure 17 is constructed by me to show the administrative hierarchy of the Government Department based upon the available information. My construction may differ from the official administrative hierarchy. However, I was unable to locate an official organisation structure diagram for the period.

during the period depended on the interests of the foreign funding agencies and the Government Department had to provide relevant accounting information to those agencies, such as an account of usage of funds and information regarding the procurement process.

As the Government did not have objectives of earning returns on telecommunication investment per se, profitability measures during the period before privatisation were not reported. Similar to my observations during the Colonial Department period, the Government Department put high priority on expansion of the network and technology-related decisions were important. Based on these reasons, I perceive that profitability measures were not very important in decision making about new capital projects. However, information that was relevant for technical improvements was measured, such as percentage of exchange capacity utilised and the ratio of employees to 1,000 direct exchange lines.

6.2.4. Operational performance

Operational performance measures were very similar to those of the Colonial Department period as explained in Section 6.1.4. However, I observed some changes in reporting of the Government Department's regional performance during this period. During the colonial period, volume of services, number of calls made, number of complaints and development work undertaken were reported only for a limited number of cities. However, with the expansion of services and increased number of subscribers to the Government Department, the country was broken up into regions (see Figure 15) for reporting purposes. Information provided under the heading operational improvements mainly covered expansion of services carried out through new projects.

6.2.5. Evaluation of employees' performance

As mentioned in Section 6.1.5, the main objective of evaluating employee performance during the Colonial Department period was to improve the efficiency of employees. However, I perceived that, during the Government Department period, the main objective was changed to facilitate recommendations of the annual salary increment for employees. Employee performance was evaluated based on government regulations. The head of the division or the regional office recommended the salary

increment if he was satisfied with the performance of the employee. My research yielded no other reference or purpose for evaluating individual performance.

From the 1950s new recruitment and promotions were made by conducting examinations. Indeed, I found that this practice continues today, although there have been some modifications. Training programmes were also conducted for existing and new technical employees at the Telecommunication Training School. The cost of these training programmes was borne by the Government.

The Minister of Posts and Telecommunications became the Head of the Government Department after independence. According to my knowledge about the Government Department, its context and accounting practices, this made no significant difference in terms of improving performance financially, because the Minister was not evaluated based on financial performance. As claimed by some informants, most of the employees who held top positions, such as the Secretary to the Minister and the Chairman, were appointed by the political party in power. Their position did not depend very much on the operational and financial performance of the Government Department. According to my knowledge about the Colonial Department period, the Governor, the Colonial Secretary, the Postmaster General and other officers in key positions were responsible for the political and economic performance of the country and were evaluated based on performance. Therefore, the reports sent to the London Colonial Office included information demonstrating that the performance of the Colonial Department was up to expectations, with justifications for any deviations from the objectives of the Colonial Department. However, after independence, the officials in equivalent positions within the Government Department (e.g., the Minister and the Managing Director of Telecommunications) were appointed by the political party in power. This seems to have been accompanied by a change in the content of annual reports. These reports no longer included information evaluating or justifying the performance of these officials.

6.2.6. Accounting controls

Accounting and management controls of the Government Department period can be seen as practices inherited from the Colonial Department period, as explained in Section 6.1.6. Based on evidence collected from documents and from some

informants, I perceive that the key objective for the operations of the Government Department was not for the Government to earn a return. Rather, the Government wanted the Government Department to stay within the capital and recurrent expenditure budget (as explained in Section 6.2.7). Thus, it can be inferred that accounting information was used by the Government mainly as a resource control mechanism during this period. For example, I observed that the Government Department had to report how the allocated budget was utilised during the period. It had to submit reports and maintain documents related to the safeguarding of physical resources and control of resource usage. I perceived that such management controls were inherited from the common regulatory system applied to all government departments in the British colonial period. Even though most of the senior managers were aware of the Government Budgeting process from around the mid-1980s, owing to their lack of knowledge about the accounting practices of the Colonial Department period, they could not perceive the similarities that I perceived.

My knowledge constructed about the Government Department and its context resulted in my identifying several reasons for this emphasis on control of costs. One reason was the limited availability of resources from the Government for carrying out the operations of the Government Department. Further, since the number of employees involved in the business was large (e.g., permanent employees of the Posts and Telecommunications Department had reached 21,183 by 1964-65) compared to the colonial period, it was logistically impossible for the Minister and other senior officials to be directly involved in managing the resources. As a result, internal controls were implemented, including tight budgetary controls, policies to safeguard assets, financial regulations and similar to set boundaries of delegation at operational level in managing funds. As I perceive, the requirement for common government controls prevented the Government Department from using specific controls that would have been more applicable to the Government Department. For example, I could not observe any significant changes in accounting practices or in accounting controls in the Government Department even though some would have been appropriate to the automation of telecommunication services taking place during the 1960s and 1970s. Further, a few Sri Lanka Telecom executive employees who had worked at the Department claimed that the rigid administrative process controls did not support efficient and timely investment decision-making by the Government

Department when the rapid evolution of technology in telecommunications occurred from the 1970s and 1980s. Generally, informants were of the opinion that the strict controls before privatisation caused significant delays in making decisions appropriate to these circumstances.

An independent annual internal audit function existed during the Government Department period to monitor the operations of the head office and regional offices. According to my knowledge constructed from documentary evidence, the objectives of the internal audits it performed were to support the Chief Accountant in maintaining accurate records, ensuring proper management of funds and inventories, preventing fraud, and ensuring efficient management of resources. Moreover, the internal auditors monitored the progress of development projects and reported to the Chief Accountant. The responsibilities of the internal audit division were also defined by Financial Regulations. The external audit of the Government Department's accounts, performed by the Auditor General, is a practice that has continued from the early 1940s, with some necessary modifications. From my knowledge constructed about the accounting practices during the Colonial Department period, I perceived that even though the term "auditing" was not used before the early 1940s, most of the matters termed "auditing" during this period had been performed from the inception of the organisation.

6.2.7. Planning tools

As mentioned in Section 6.2.1, I observed application of planning tools after independence. According to my observations, the annual budget was the main document that the Government Department prepared as a part of the planning process. I perceived it as an extension of the revenue and expenditure estimates that were prepared during the colonial period. Towards the end of the Government Department's existence, I perceived that this budget became more summarised, covered wide-ranging information, and was more formal. Based on my knowledge constructed about this period, I identified the main reason for these perceived changes to be the expansion of the Government Department's operations compared to the early 1950s.

In the capital expenditure budget, the Government Department provided details of the programmes to be implemented (i.e., the cost of achieving key objectives of the Government Department), projects under those key programmes and the expenditure categories under each project. Moreover, the Government Department's budget had to include how expected capital expenditure was going to be financed, whether by funds allocated from the Treasury or from foreign aid grants or loans. The recurrent expenditure budget was used to allocate funds to meet the operational activities of the Government Department. The budget included details of the authorised staff positions, and their salary scales, the number of positions under each category, and the number of employees subdivided into permanent, temporary, or casual. The budget gave details for the previous year (actual), the current year (approximate actual) and the next year (estimate). I observed that these details are similar to the revenue and expenditure estimates found in the Administration Reports submitted by the Head of the Colonial Department during the British Colonial Period. After submission of the initial budget by the Government Department, the Government modified and then approved the budget. According to the information obtained from interviews, most of the time the Government allocated an amount less than the amount requested by the Government Department. I could not construct a clear reason for under-allocation from the evidence obtained from informants; maybe it was due to resource constraints of the Government, or because the Government Department submitted requests for a higher amount than it really required knowing that it would get less.

Utilisation of the allocated annual budget was an area which was known to most of the senior managers and they were willing to talk about it. Thus, my knowledge about spending the allocated budget was constructed mostly from the opinions that they expressed. The spending for a financial year could only proceed up to the amount allocated in the budget approved by the Government, except for certain instances stipulated in the Financial Regulations. Furthermore, alterations to or within the total allocation could only be made by authorised people, acting according to defined administrative procedures. For example, savings of a particular development programme could only be used for another programme with the authorisation of the Secretary or Deputy Secretary to the Treasury. Approval for extra cash for a particular project involved a long process, including Cabinet authorisation. Additional cash for recurrent expenditure could be obtained from the Contingency Account, which was

allocated for each regional office, with the approval of the Regional Manager, provided he deemed the requirement was justified. Senior managers claimed that any funds surplus to requirements on the recurrent budget had to be returned to the Treasury at the end of the financial year.

6.2.8. Summary

In summary, I perceived that during the period after independence, the Government Department maintained accounting records that were stipulated by government regulations and where applicable had to meet the information requirements of foreign funding agencies and donor countries. In contrast to the claims made by the informants, which implied that specific management accounting practices were not adopted by the Government Department and that there was no management accounting division, the knowledge that I constructed about the accounting practices during the Government Department period demonstrates that it was using management accounting information for internal decision making. I perceived that development of the telecommunication infrastructure with technological improvements was the key objective during the period and all decisions were aligned accordingly. Overall, when considering my knowledge constructed about accounting practices, the period from independence to Sri Lanka Telecom Corporation period could be considered as a continuation of the British practices without significant change. However, owing to lack of knowledge of the informants about the accounting practices during the Colonial Department period, their knowledge was different from what I was able to construct.

6.3. Sri Lanka Telecom Corporation period (1991 – 1996)

In this section I present the knowledge that I constructed about the accounting practices during the Sri Lanka Telecom Corporation period. I found that the properties of the entity that the informants constructed during this period were different from the properties of the entity that I constructed. According to informants, there was not much difference in the administration and accounting processes on either side of the transformation from Telecommunications Department into Sri Lanka Telecom Corporation. They attributed this to ownership still being with the Government. This contrasts with the next change of name and legal status, to be covered in Section 6.4: I

noticed informants made attempts to distinguish between accounting practices before and after the later privatisation.

Based on the knowledge I have constructed about the context of the organisation, I believe that changes of accounting practices, including introducing new systems, are due to a focus on improving the profitability of Sri Lanka Telecom Corporation. This was in response to the changes in the global and local telecommunications industry. Particularly, significant were the entrance of a private mobile operator in the late 1980s and plans for privatising the Corporation and operating with commercial objectives. I did not find reference to these accounting practices and management controls in the documents reviewed from the Department period.

Descriptions of impermanence in accounting practices could not be compiled owing to informants' lack of knowledge about accounting practices during this period and limited availability of the documents about internal accounting practices of the period. Based on the knowledge that I constructed about Sri Lanka Telecom Corporation and its context, how I perceive the impermanence of accounting practices during this period is presented in sub sections as follows.

Section 6.3.1 Elements and nature of reporting practices and introduction of a computer based accounting system

Section 6.3.2 Transformation of decision making process to meet the commercial objectives of the Corporation

6.3.1. Elements and nature of reporting practices

Table 10 shows the additional accounting practices I perceived during the Corporation period relative to the practices that I observed during the Government Department period.

Table 10: New Accounting Reports and Practices Perceived in Sri Lanka Telecom Corporation

Year	Accounting Reports and Practices Perceived in Sri Lanka Telecom Corporation
1991	Annual corporate plan; Financial management including target required return; Improved financial controls and internal audit function; Inventory management; Computerised accounting data entry system; IMAS accounting system introduced

The Sri Lanka Telecommunication Act of 1991 is significant for the Corporation period. The Act required Sri Lanka Telecom Corporation and other operators to prepare an annual financial report giving a true and fair view of their activities for each financial year. The statement of accounts in this report had to be audited. Accordingly, I found evidence in the Sri Lanka Telecom Corporation period of preparing annual reports and these reports having to be audited by the Auditor General. The annual report had to be submitted to the Director General of Telecommunications. Another provision in the Act was that the Telecommunications Regulatory Commission had the power to carry out any investigation regarding complaints made by the public, and to ask the relevant operator to take remedial actions.

Furthermore, an annual corporate plan was prepared for the Corporation. It included the corporate mission, corporate goals, a SWOT [Strengths, Weaknesses, Opportunities and Threats] analysis, a strategy, and development programmes. The plan also discussed improvements in financial control and management through implementation of a computer based system. This system covered general ledger, fixed assets, cash and bank reconciliation, accounts payable, and job costing. Furthermore, the senior managers of the Corporation planned computerisation of salaries; and improvements of the billing and costing systems, international settlements, inventory management, purchase control, operational management, faults recording and monitoring, and performance monitoring. The Board of Directors were considering introducing a more effective system for internal audit activities.

Evidence about the introduction of a new computer system called IMAS was obtained from the current Head of the Accounts division. He introduced this system when he joined the Corporation in 1992. This replaced the manual accounting system used during the Department period. IMAS had a centralised data entry system. Journal entries were manually prepared at the regional offices and then sent to the Colombo Office. The system was used for data entry and to generate some reports. However, preparation of end of year accounts was still done manually by using information from the IMAS computer system and adjusting and analysing it further. This accounting system was used for the nine years from 1992 to 2000. It was not known to other informants, having come and gone before they arrived, and so the entity that

they constructed during the Corporation period did not contain the IMAS accounting system. Accordingly, they could not perceive a change in this regard.

6.3.2. Decision making process

According to the knowledge that I constructed using the evidence provided by some of the informants, the decision making structure of the Corporation was still regarded as a rigid structure, similar to the Government Department period. The change I observed during this period regarding investment decisions included earning a target minimum rate of return, management of funds from internal sources for capital expenditure and submission of accounts. Management of funds involved reducing the debtors to three months' billing and identification of foreign funds for capital expenditure. I perceived these changes as attempts undertaken to transform the organisation to meet its commercial objectives and improve the long-standing systems described above. Looking at the context of the organisation, I found that there was a need to improve the administrative and financial regulations and procedures in response to the technological developments and global trends in the telecommunications industry.

6.3.3. Summary

In summary, according to the knowledge that I constructed about the organisation, its context and accounting practices, Sri Lanka Telecom Corporation had to change what can be regarded as out-dated procedures to sustain its position within the industry, after the liberalisation of the industry in the late 1980s. The new systems were expected to overcome the financial administration issues (e.g., billing issues, inventory handling, human resources and revenue collection) and to gather information that was needed to improve the operational activities of the Corporation. I perceived that some of these systems were in response to calls from the accounting profession and academia.

Based on the available evidence about Sri Lanka Telecom Corporation and its context, I have not perceived changes in other aspects of accounting practices already present in the Government Department period. Thus, my knowledge about accounting practices during the Sri Lanka Telecom Corporation period in pricing and costing, operational performance, employee performance evaluation, accounting controls and

planning tools is not different from the knowledge that I constructed about the Government Department period.

The above knowledge I constructed about the accounting practices of the organisation shows the organisation has used accounting tools and practices since its inception, with varying objectives and to meet different needs in different contexts. This is in contrast to most of the informants' knowledge of "formal accounting procedures" only being introduced after privatisation. Their constructions reflect a lack of information, which has meant they cannot construct their knowledge about Sri Lanka Telecom and its accounting practices in a comprehensive manner. This is especially clear in comparison with what I have been able to construct.

6.4. Sri Lanka Telecom period (1996 onwards)

In contrast to the periods covered in Sections 6.1, 6.2 and 6.3, I collected more evidence about the accounting practices during Sri Lanka Telecom period by conducting interviews with its current staff than by reviewing documents, although the latter were still significant. Thus, I was able to gather relatively more evidence about this period than previous periods, particularly about how accounting is practised at Sri Lanka Telecom. The information gathered from informants indicated that individuals perceived different aspects of impermanence in accounting practices and have built varying knowledge constructs about the impermanence in Sri Lanka Telecom's accounting practices. My knowledge constructed about accounting practices and their changes during this period is derived by integrating the knowledge constructed by different informants and information obtained from documentary sources.

According to the knowledge constructed by most of the informants, the only reason for introducing new accounting practices was the privatisation of the organisation. As foreshadowed in previous sections, they did not perceive changes on transforming firstly into a private company and then into public a company which I perceived and, therefore, they could not construct the same knowledge that I constructed about the past of the organisation. Informants held the opinion that all formal practices (e.g., preparation of profit and loss account, balance sheet, and cost controls) were introduced after privatisation. However, the knowledge that I constructed using

documentary evidence contrasts with the views of the informants. For example, a senior manager stated that the Sri Lanka Telecom started preparing “commercial financial statements” after privatisation. However, as mentioned in Section 6.1, I found evidence of preparing “commercial accounts” from 1942. Furthermore, commercial accounts appeared in the Administration Report of 1948-49. They included explanatory notes to the accounts, comparative income, comparative expenditure, capital expenditure, loan settlements with the Ceylon Government, a general reserve expenditure account and a balance sheet.

I was given the impression that most of the employees thought the privatisation of the organisation was very significant and important. It seems natural that they were then basing their understanding of all of the changes they perceived as a consequence of privatisation. Even though I perceived a significant change in accounting practices adopted by Sri Lanka Telecom after 1996, on its change in legal form, evidence obtained from some other informants and documents demonstrated to me that change in accounting practices can be perceived at different points in time after privatisation and for reasons other than privatisation. Based on the knowledge constructed about Sri Lanka Telecom and its context, how I perceive the impermanence of its accounting practices during the Sri Lanka Telecom period are discussed in the sub sections as follows.

Section 6.4.1 Nature and elements of reporting and accounting practices

Section 6.4.2 Pricing of the services and application of job costing in valuing the jobs

Section 6.4.3 Decision making process and structure of Sri Lanka Telecom

Section 6.4.4 Operational and employee performance evaluation and the tools used to evaluate the performance

Section 6.4.5 Cost controls, inventory management and internal audit, and how different informants perceived the application of current accounting controls, their issues, and the improvements that need to be introduced

Section 6.4.6 Objectives of application of planning tools and their significance

Section 6.4.7 Revenue collection process

Section 6.4.8 Introduction of quality assurance programmes after privatisation of the Corporation and their importance

6.4.1. Elements and nature of reporting and accounting practices

Based on my knowledge about Sri Lanka Telecom, its context and accounting practices, I can identify that handing over the management of the organisation to NTT in 1997 was the key reason for the introduction of various Japanese management accounting practices that had not been used previously. I perceived that the introduction of Japanese management practices, exhibited similarities to the approach the British took when establishing the Ceylon Telegraph Department. As their British counterparts had done, the Japanese managers preferred to use administrative and accounting practices that they were familiar with to manage the Sri Lankan employees. According to most of the informants, the influence of the Japanese management was reflected in the introduction of new quality assurance programmes such as Kaizen and 5S, and in the programmes introduced to improve efficiency and productivity of employees. The change in ownership in 2008 resulted in further changes in the strategies and management controls. Changes to accounting practices as a result of the changes in ownership were common in the knowledge that myself and informants constructed.

As mentioned at the beginning of this chapter, in contrast to the knowledge of other periods of Sri Lanka Telecom, my knowledge about the period after privatisation was based on the knowledge of the informants about the application of accounting practices. Therefore, my knowledge about accounting practices during Sri Lanka Telecom period consists of the nature and elements of both reporting and accounting practices and the types of records kept after privatisation.

I observed changes to the nature and frequency of producing reports, particularly the use of computer applications in producing accounting information, compared to during the Corporation period, as explained in Section 6.3.1. I observed a major change in reports relating to compliance with the rules applicable to Companies

registered in Sri Lanka that Sri Lanka Telecom now had to follow, which differ from those applying to government enterprises. It was bound by the financial reporting standards and regulations of the Colombo Stock Exchange, the Companies Act and the Institute of Chartered Accountants of Sri Lanka. Accordingly, Sri Lanka Telecom had to change its accounting practices to meet those requirements. Recent additions and changes to accounting standards both internationally and locally have also caused change in accounting practices of Sri Lanka Telecom, especially its financial reporting. These changes were only perceived by senior managers in accounting related divisions.

I found that subsequent to it being transformed into a public company, the managers were held much more responsible for the financial and operational performance of Sri Lanka Telecom. They had to prove to current and prospective investors that Sri Lanka Telecom had progressed in financial and operational terms in order to maintain their positions and convince existing and prospective investors of its success and good performance. Therefore, I observed that Sri Lanka Telecom used its annual reports to highlight the progress of the organisation and as a medium to convince others.

I observed decentralisation of the accounting function alongside gradual developments in the accounting system. According to Head of the Accounting Systems section, which is a sub-section of the Accounts division, the main reason for decentralisation of the accounting function was to provide timely information to facilitate provision of management reports. These management reports were prepared with increasing frequency as Sri Lanka Telecom expanded. The Accounts division now produces monthly management reports, based on the information collected from Sri Lanka Telecom's accounting system. Before privatisation these management reports were known as Board Reports.²² The management reports produced for Chief Officers include a monthly variance analysis; year to date budget; actual and variance analysis; position of debtors; fluctuations in the monthly volumes; fluctuations in revenue; and reasons for variances for various divisions and Sri Lanka Telecom as a

²² No information was found relating to these Board Reports within the Board papers I had access to, as they were considered to be sensitive internal information. However, according to informants, during the earlier periods detailed management information was not produced.

whole. Only those informants in accounting related positions were aware of the production of these reports and, consequently, able to perceive the change related to them.

Even those informants who were aware of changes in the production of accounting reports perceived these changes differently. They claimed various reasons for the frequent change in management reports, such as changes in chief executive officer, or heads of divisions or sections; new managers' educational background; acquisition of new knowledge and changes in technology. Based on the knowledge constructed about the context of Sri Lanka Telecom, I identified two reasons for perceiving relatively more changes in accounting records produced at present compared to when the organisation was under government ownership. Firstly, the rigid government administrative structure did not allow the senior managers or managers to make the necessary changes to reflect changes in the environment. Secondly, as most of the informants were not aware of practices during the Government period, many claimed that there were no changes during the Government period. However, as they have experienced and can perceive more recent changes in accounting practices and have more knowledge about the current system, they claim that the current accounting procedures are frequently changing. For example, as perceived by the Accountant of the Global Operations division, the management accounting reports produced in her division change with each change of head of division. Details of these changes were generally only known to employees of the respective division and by the senior managers. It is difficult to ascertain all the small changes made by each head of division and the organisation itself, due to limitations in obtaining information, even about present divisions. These difficulties also apply to the past, especially in the period before privatisation.

I observed significant changes in accounting practices of Sri Lanka Telecom from those of the Government Department period reported in Section 6.2.1. When the Sri Lanka Telecom Corporation was transformed into a private company in 1996, an audit firm prepared the opening accounts of Sri Lanka Telecom as well as the closing accounts of the Corporation. I observed relatively frequent changes in the accounting practices during Sri Lanka Telecom period, which I discuss below. The

impermanence that I perceived in accounting practices after privatisation of the Corporation are listed in Table 11 and are elaborated in the following subsections.

Table 11: New Reporting and Accounting Practices Perceived in Sri Lanka Telecom

Year	Reporting and Accounting Practices Perceived in Sri Lanka Telecom
1997	Introduction of Japanese management controls, emphasis on improving productivity and quality; fund management and budget functions separated
1999	New performance management system
2000	Computer applications for accounting
2001	Company-wide cost control system introduced
2002	New quality assurance system
2003	New revenue collection system; New division for investor relations
2006	ISO 27001
2008	Revenue Assurance division
2009	Planning to obtain ISO 9000
2010	Business process re-engineering

Computer applications for accounting

Sri Lanka Telecom replaced the IMAS computer accounting system, introducing computer applications such as MS Excel for preparing accounts from 2000. In the same year, it introduced a decentralised computerised data entry system called CODA Financials. This was purchased from the Sri Lankan agent of an American company and Sri Lanka Telecom is still using this computer system. CODA Financials is supplemented with a few other small systems developed within Sri Lanka Telecom, which are also used at divisions such as stores. As perceived by the Head of the Accounting Systems section, introduction of computerised accounting systems resulted in implementation of different control systems such as passwords, access controls and document controls to ensure the accuracy and completeness of information. I constructed this knowledge using the evidence provided by the Head of the Accounts division. Other informants seem to know little or care less about past events and circumstances as they lacked interest in this area or the necessary knowledge about the computerised accounting system. Therefore, other informants could not perceive the changes that were perceived by Head of the Accounts division or myself.

Records kept

As perceived by the Head of the Accounting Systems section, the decentralisation of the data entry process facilitated by the introduction of CODA Financials was the main change to the accounting system. However, this is only one perspective on the

impermanence in accounting practices. As he is more concerned about implementation of new accounting systems, this change was the most significant one for him and therefore he claimed it as the main change. From the knowledge that I constructed and presented before and that I will describe below, we can see that there were other aspects of impermanence in accounting practices that were perceived by other informants.

In an interview, the Head of the Accounting Systems section mentioned that Sri Lanka Telecom started to use computer applications around 2000 to prepare accounts. Sri Lanka Telecom introduces changes to the system depending on the information needs of management. The Head said that changes to the accounting system are made when the system supplier introduces upgrades to the system. However, he claimed that Sri Lanka Telecom purchases those upgrades according to its requirements and not merely because the system supplier introduces upgrades. According to him, the Accounts division has to suggest to the Board when it should upgrade, with justifications for purchasing the upgrade. His statement indicates that Sri Lanka Telecom is still practising the long decision making process even though it seemed to me that the current situation is more flexible compared to the Government Department period.

I believe it is most likely that the need for introducing more computer-based accounting systems is due to the increased complexity of the operational and managerial activities in Sri Lanka Telecom; for example, in 2000 it issued debentures for the first time in its history; operational activities are increasingly expanding, such as opening of more customer care centres; there is an increasing customer base; and there are changes in strategies, such as plans for acquisition of a mobile operator. I perceive these as the factors that created the need for replacing the manual record keeping and introducing an improved accounting system. Particularly, I perceived that Sri Lanka Telecom needed to retrieve more detailed financial and management information efficiently to meet the information requirements in order to face the intense competition in the industry. The information obtained from those new accounting systems has helped Sri Lanka Telecom to make necessary changes in the administrative system and in operations.

The change perceived by some other informants enabled me to construct knowledge about some of the system development issues. For example, as perceived by an Accountant in the International Operations division, the system restricts the processing of foreign currency in the division. The Accountant feels that there is a need for an improved computerised system to make the accounting more efficient and effective in terms of obtaining relevant management information. These issues have occurred because individuals within the International Operations division and in the Accounting Systems section have not identified the requirements of the other division. That is, the knowledge that the Accountant and the Head constructed about the needs of the other division was different. Thus, the solution developed by the Accounting Systems section did not meet the requirements of the other division. Accordingly, I observed that the accounting system still requires revisions to meet the information requirements of all divisions.

I was also able to construct my knowledge about issues involved in producing and using accounting information. Some senior managers claimed that no cross-functional links existed between different sections in the Department or Corporation and they could not obtain information from other divisions. In contrast they now perceive that employees maintain a relatively good relationship between different divisions so that they can obtain information required for decision-making. However, some informants claimed that still there are some gaps in communication between divisions. For example, an informant in the IT division claimed that the current structure of the division needed to be improved so that the work could be accomplished more efficiently. This and the above examples illustrate there are still some communication gaps, although it is arguable that these are unavoidable. Even if these requirements and views were being shared between different divisions, the requirements could not be met as different individuals perceive the requirements differently.

The informant from the Corporate Strategy division perceived that the changes in Sri Lanka Telecom and the telecommunications industry required the newly established divisions to obtain new management information to meet the new conditions created in the industry. This included information about customer behaviour and trends, competitor analysis and market information. I found that Sri Lanka Telecom has implemented new accounting practices and controls to meet the new information

requirements. This informant seemed to be more concerned about the strategic importance of the overall changes made within Sri Lanka Telecom after privatisation than informants from the operational level. Thus, his explanations on the impermanence in accounting practices included a more strategic view and covered changes in different areas of the organisation.

I also identified the production of more records to measure performance. According to the knowledge that I constructed about Sri Lanka Telecom, the growth of Sri Lanka Telecom's product portfolio, the increasingly complex nature of its operations and the expansion of the network island-wide created the need for complex performance measures. Accordingly, revenue of Sri Lanka Telecom is analysed by product, region and customer group. At the same time, in-depth cost analysis is used to measure the viability of each product. A senior manager claimed it was important to have or to develop an adjusted activity-based costing system which suits the telecommunication industry and the environment of Sri Lanka Telecom. None of the other informants perceived this as necessary. This shows that different informants constructed knowledge about Sri Lanka Telecom and perceived requirements in accounting practices differently. I perceived that change in strategies resulted in the introduction of new performance measures, such as customer profitability analysis and product profitability analysis. That is, new management accounting information is being produced to meet new circumstances.

Revenue collection system

A few senior managers from the Revenue Assurance, Revenue Collection and Billing divisions claimed inefficiencies existed in the revenue collection process before 2003. Therefore, the revenue collection process was decentralised in 2003 and new management controls were introduced to minimise those inefficiencies. A new billing system was also introduced as part of this change in the same year. These changes can be viewed as influences of the Japanese management. A Revenue Assurance division was established in 2008 to minimise inefficiencies involved in revenue collection. These changes are elaborated in Section 6.4.7. This knowledge about the change in the revenue collection process was constructed from the evidence provided by the informants from the Revenue Assurance, Revenue Collection and Billing divisions.

Other informants, from different divisions, did not perceive these changes in the revenue collection system.

Company-wide cost control system

A company-wide cost control system was introduced in 2001. Cost centres were created to identify expenditure for which individuals and groups of people in governance and management positions were responsible; for example, the Chairman, Board of Directors, Chief Executive Officer, Chief Officers, Deputy Chief Officers, General Managers and Deputy General Managers. Even though most of the informants perceived introduction of tight cost controls during this period, only a few senior managers perceived these as related to the creation of cost centres.

Quality assurance systems

Introduction of quality assurance systems is an element in which the Japanese management influence was reflected significantly. In early 2002, Sri Lanka Telecom established a new division for quality assurance. It focused on using the Japanese management practices, Kaizen and 5S; obtaining ISO certification; and improving the efficiency and maximum use of resources of Sri Lanka Telecom. The Internet data centre and the Narahenpita outside plant maintenance centre obtained ISO 27001 (i.e., the highest international information security standard) certification in 2006. I constructed my knowledge about the impermanence in quality assurance mainly using the changes perceived by a manager in the Quality Assurance Division. However, most of the informants had knowledge about how practices such as Kaizen and 5S were implemented and provided information regarding how employees were involved in the implementation process of these programmes.

New performance management system

The 1999 introduction of a new performance management system, linked to an employee bonus scheme, was the main change I perceived in terms of performance management systems after privatisation of Sri Lanka Telecom. As most of the informants perceived changes in the performance evaluation system at different point instances in different aspects, my knowledge constructed about the employee performance measurement system since 1999 consisted of frequent changes. These changes will be discussed in detail in Section 6.4.4.

The finance function

Another area of change that I observed was cash management. On the whole, there were delays and limitations in obtaining cash for development projects when the organisation was a Government Department. Indeed, my constructed knowledge about the context indicates that independent cash management by the Government Department was not possible because of the common government financial regulations applicable to any government department. Claims made by current managers imply that Sri Lanka Telecom has now realised the importance of efficient cash management, as the organisation has limited funding sources and the investors expect efficient management of their funds. Accordingly, I found that Sri Lanka Telecom carries out planning to determine optimal funding sources, such as external loans, use of internally generated funds and investment of excess cash. When preparing the annual business plan, a detailed analysis is carried out for individual projects in regard to cash payments and receipts. A few senior managers noted that Sri Lanka Telecom is planning to further improve the existing cash management system. The evidence obtained from interviews demonstrated that informants other than senior managers and managers lacked knowledge about planning tools involved in cash management because they did not have insight in this area and, therefore, did not perceive changes.

My knowledge constructed about the context of Sri Lanka Telecom illustrated that the management of funds became crucial to Sri Lanka Telecom after privatisation, as it no longer received funds from the Government or foreign funding agencies. Thus, attracting funds for new telecommunications development projects of Sri Lanka Telecom become important, particularly from corporate investors. Sri Lanka Telecom established a new division in 2003 for investor relations to provide information for corporate investors. I perceived that the creation of the finance division has resulted in the use of numerous management reports and other accounting information in their decision making processes.

A few of the senior managers, who worked in accounting related divisions at the time of my interviews, confirmed that before privatisation only one accountant was responsible for the financial activities of the whole organisation. According to their perceptions, the finance function was expanded after privatisation and various

sections were created to monitor and control financial performance. The expansion of the finance function reflects the high priority Sri Lanka Telecom has put on financial management.

However, some informants claimed that a proportion of the new managerial positions were created so that strategically important personnel could be appointed to them, thus obtaining support for privatisation by operational level employees and trade unions. Thus, based on the information I collected from various sources, I perceived some contradictions among the opinions of the informants about the objectives of the changes made.

I observed that recently Sri Lanka Telecom has discontinued the management accounting division created under the previous organisational structure. A few senior managers from accounting related functions claimed that the Management Accounting division was not effective. Thus, at the moment there is no separate division for Management Accounting, and management accounting functions are carried out by the Accounts division.

6.4.2. Market pricing and costing

My knowledge constructed about Sri Lanka Telecom, the global telecommunications industry and telecommunications industry of Sri Lanka indicate that aligning prices and costs was a reason for privatisation, deregulation and opening the telecommunication sector for competition in many countries. Senior managers from Sales, Regulatory Affairs, Corporate Strategy, and Market Research and Development divisions discussed the changes they perceived in terms of pricing strategies of Sri Lanka Telecom. Other informants were not able to perceive these changes due to lack of interest or lack of knowledge in this regard. Thus, the knowledge constructed by other informants about impermanence in accounting practices of Sri Lanka Telecom did not include any perceived changes in pricing.

Pricing

I perceived a significant change in the application of pricing methods after Sri Lanka Telecom became a private company compared to the methods that had endured since the Government Department period, as detailed in Section 6.2.2. My knowledge

constructed about the telecommunications industry of Sri Lanka shows that increased competition from the late 1990s compelled Sri Lanka Telecom to adopt competitive pricing. In any case, by this time Sri Lanka Telecom was able to make more rational pricing decisions as techniques for collecting cost and other relevant information were available, and use was being made of computers and other state of the art equipment for collecting and analysing information. Thus, I perceived that Sri Lanka Telecom has taken into account factors such as competitor prices and pricing strategies to attract new customers and to prevent existing customers moving to competitors.

Some senior managers claimed that Sri Lanka Telecom has implemented several pricing strategies for different customer segments, because other operators are now competing on price; there is fierce competition. Sri Lanka Telecom is using market information more than in the past to make pricing decisions. However, another senior manager explained that, even after privatisation, pricing decisions cannot be made independently by Sri Lanka Telecom, as prices are controlled by the Telecommunications Regulatory Commission to ensure fair competition among the operators, as Sri Lanka Telecom is the incumbent operator and largest player in the industry. The ferocity of competition and low prices, especially in mobile services, has resulted in all other mobile operators making significant losses. For example, one operator was sold to/merged with a foreign mobile operator and another operator discontinued its operations in Sri Lanka. Some senior managers perceived that Sri Lanka Telecom has not had the same issues. It has been able to cover the losses on mobile services from the profits on other segments. The Telecommunications Regulatory Commission imposed rules for setting prices of telecommunications services. As claimed by a senior manager, the objective of imposing new rules is to control this situation and to retain the competition in the industry, so that the customers not negatively affected by the monopoly.

Another main change I observed in the pricing methods compared to the period before privatisation is in the pricing of services provided to other government departments. After the business operations of Sri Lanka Telecom were taken over by the Japanese company, it was no longer a part of the government structure. Therefore, when Sri Lanka Telecom provides services to government departments, it treats them in a

similar way to other external customers and prices its services according to its commercial objectives.

Costing

According to a manager in the Budget division, Sri Lanka Telecom uses job costing as a tool to value the cost of jobs undertaken. It accounts for the cost of internal and external jobs separately. According to the manager, analysing the costs involved in each job allows the division to monitor and control resource usage. Even though no direct evidence was found for the use of job costing in the past, the Administration Reports show that, even during the Department period, records were kept for specific jobs undertaken. However, I perceive that there is impermanence in the formality, technology and potential effectiveness for job costing.

6.4.3. Decision making process

Informants who worked in the organisation during both government and private ownership periods were able to construct knowledge about the decision making process and make comparisons between the two periods. They claimed that decision making has become more efficient under the new, decentralised organisational structure. They noted that previous decision making was constrained by government regulations, whereas the new structure has given more autonomy to the senior management in decision making. Some managers and members of the operational staff stated that decision making is delegated to lower levels, as appropriate, and the delegated staff try to solve issues as soon as possible. As perceived by most of the informants, decentralisation and delegation of decision-making is essential for successful survival in a highly competitive market environment.

My knowledge constructed using documentary evidence and claims of some informants showed that after Sri Lanka Telecom's shares were sold to the public in 2002 and its shares started trading on the stock exchange in 2003, it had to publish financial information that was deemed relevant for the public to make investment decisions. A new division called Investor Relations was established in 2003 and introduced new financial and management accounting practices. This division also implemented different internal financial and management controls. For example, the procedures around contracting for outsourced work involving tendering were changed

into a more transparent process and it now takes a relatively much shorter time period to make decisions on these matters. These changes were explained by a senior manager of the Investor Relations division. Other informants were not aware of these changes. For informants in other divisions accounting practices related to investor relations are not the key area of concern so any changes in this are considered insignificant.

According to some senior managers, Sri Lanka Telecom uses market information in making investment decisions in order to continue to thrive in the highly competitive environment. Return on investment and immediate recovery of investment are major criteria in making investment decisions. A manager claimed that project evaluation criteria such as Net Present Value, Internal Rate of Return and Payback Period were not considered when making investment decisions before privatisation. Sri Lanka Telecom now uses these investment appraisal tools in evaluating investment projects and undertakes only financially profitable projects. However, the knowledge that I constructed about the decision making practices during the Colonial Department period and Government Department period indicated that there is evidence contradictory to the claims of the informants. I found evidence in the Administration Reports of measuring the return on investments even during the Colonial Department period. However, these measures may have been used for different purposes. For example, during the Colonial Department period, the Head of the Colonial Department had to show that the funds provided to the Colonial Department had been utilised effectively and he also had to prove his ability to administer the Colonial Department in line with the objectives of the British Colonial Office, whereas now profitability is an important measure of Sri Lanka Telecom's performance, as it operates mainly with commercial objectives and faces high competition.

A senior manager said that Sri Lanka Telecom has used non-financial information related to market intelligence in decision-making since privatisation. For example, it conducts many surveys to obtain information related to customer and employee satisfaction. Social benefits are sometimes also considered when making investment decisions.

The above knowledge that I constructed shows that, except for some senior managers, informants did not have knowledge about the decision making processes of Sri Lanka

Telecom before privatisation. Even then, those senior managers did not have knowledge about the organisation during the Colonial Department period. Thus, the knowledge I constructed about the impermanence of the decision making process differed from many of the claims made by informants.

6.4.4. Evaluation of operational and employees' performance

The performance evaluation system during the Sri Lanka Telecom period can be viewed as a continuation from the Department period, with some modification to meet the changing requirements in the context of Sri Lanka Telecom. Changes introduced in the performance evaluation system after privatisation had implications for employees at every level of the organisation, especially for their remuneration and promotion. Thus, change in performance evaluation was a topic that almost every informant was aware of and concerned about. Even though all informants explained changes in performance evaluation as taking place at the time of privatisation, I perceived that changes had taken place at several times since privatisation. According to my perception, these changes were for various reasons, such as different educational backgrounds and work experience of managers, new knowledge obtained from training programmes, employee complaints, strategies of Sri Lanka Telecom, and changes in the organisational structure.

I perceived that change in who is in charge of the performance evaluation division (chief executive officers, chief officers, heads of divisions and sections) is the main reason for the continuous change in the performance evaluation system. New managers introduced new practices based on their foreign training and previous employment experiences in various industries. They sometimes changed the prevailing controls to improve performance or to put into practice the knowledge they had. However, the basis of evaluation of performance did not differ among divisions.

A major change perceived by some senior managers in the performance evaluation system during this period is that attempts have been made to integrate operational performance of the organisation with the individual employee performance. Particularly significant was the introduction of an employee bonus scheme in 1999. As explained by senior managers, managers and members of the operational staff, performance of divisions is evaluated based on the targets set in the annual business

plan. Heads of divisions will set individuals' targets, both quantitative (e.g., number of calls answered for employees in the call centre) and qualitative (e.g., on time completion, accuracy) in accordance with the annual business plan. Achievement of these targets is measured.

Some senior managers claimed that Sri Lanka Telecom developed different Key Performance Indicators (KPIs) for each division depending on the nature of the division after privatisation. According to the evidence that I derived from annual reports and informants, Sri Lanka Telecom has been able to improve operational efficiency (e.g., measures such as reduction in the number of applicants in the waiting list, time taken to provide a new connection) as a result of the new performance evaluation system. Moreover, it has achieved a significant improvement in performance level in terms of debt ratings (SL AAA (sri)²³ in 2003), foreign currency ratings (from B+ to BB-²⁴ in 2005) and quality assurance certification (ISO 27001 and ISO 9000). Some senior managers said automation of operations was another reason for improvement of the operational efficiency.

Informants, particularly from Sales, Marketing, Regional Operations and Quality Assurance divisions, claimed that, after privatisation, Sri Lanka Telecom introduced evaluation criteria that focused on customer satisfaction and improving the productivity of human resources. This was attributed to responding to the high level of competition. Similarly, according to Annual Reports of Sri Lanka Telecom and some informants, Sri Lanka Telecom has taken steps to improve human resources productivity by continuously arranging training programmes and outsourcing non-core functions. These reports reveal an improvement in the productivity (e.g., direct exchange lines per full-time employee increased from approximately 36 to 89) over the first five years after the privatisation of the Corporation.

However, a senior manager countered that the present individual performance review system lacks congruity with the overall Sri Lanka Telecom performance measures. As a result, even though individual performance is at a high level, the organisation's performance is not "at par" with that level. Therefore, he believes that integration of

²³Indicates that Sri Lanka Telecom has a lowest expectation of credit risk according to credit ratings by Fitch Ratings Lanka.

²⁴ Indicates that Sri Lanka Telecom is stable in terms of foreign currency risk according to Fitch Ratings Lanka.

individual performance and the overall performance of the organisation should be improved. Further, some operational level employees criticised the current performance evaluation system, claiming that it partially relies upon the senior supervisor's personal opinion of the individual employee. This is another instance where informants constructed their knowledge about Sri Lanka Telecom differently from each other and perceived the requirements for change in accounting practices differently.

Benchmarking

The knowledge that I constructed about Sri Lanka Telecom and its context demonstrated that, since the liberalisation of the industry and the resulting fierce competition in the industry, Sri Lanka Telecom has started benchmarking its performance with its competitors, as well as with other leading telecommunications companies in other countries. According to informants, Sri Lanka Telecom's performance in terms of operational efficiencies, optimal pricing decisions and application of state of the art technology has improved as a result. However, informants claim that the influences of other factors, such as the regulatory authority, practices continuing since the Colonial Department period, common governmental rules and regulations and policies of political parties in power, have prevented the optimal use of such information.

Although informants perceived benchmarking as being new and acknowledge that before liberalisation of the industry Sri Lanka Telecom could not perform competitor benchmarking, according to the knowledge that I constructed the organisation has always made efforts to be in accord with trends in the global telecommunications industry, especially by introducing new technological changes at various points in time.

6.4.5. Accounting and management controls

Although accounting and management controls were used by Sri Lanka Telecom even before privatisation, significant modifications to those controls can be observed after privatisation. Senior managers claim that the strict controls executed under the government ownership based on the Government's Administrative and Financial Regulations caused significant operational delays before privatisation. However, I

perceived that the Japanese management continued strict controls, such as tight budgetary control and cost controls, together with productivity improvements to improve the profitability of Sri Lanka Telecom. This contradiction of knowledge is a result of most of the informants attempting to attribute the negative practices they perceived to the Government ownership before privatisation and to acknowledge the things that they perceived as positive changes to the change to Japanese ownership.

Cost centres

Sri Lanka Telecom introduced a cost and profit centre concept in 2001. This was facilitated by the introduction of the CODA computer system in the previous year. Subsequently, the Chief Executive Officer reported that the “back office” functions that had been previously considered as cost centres would be turned into profit centres where possible, as sales had become an important aspect of the Sri Lanka Telecom’s business process (Annual Report, 2006). However, according to the Head of the Accounting Systems section, the key concern then, as now, was cost control, and so the profit centre concept was not implemented to the same extent as the cost centre concept was. Another manager believed that if Sri Lanka Telecom were to implement the profit centre concept successfully it would need strong financial discipline and more accounting tools, such as an overhead absorption system. Claims made by a few other managers implied that the implementation of the profit centre concept is still not popular within Sri Lanka Telecom. According to them, Sri Lanka Telecom does not measure divisional performance and so internal transfer pricing is not used. As they perceived it, there is no point in ascertaining the profit of individual business units as all of these business segments are under single ownership. However, as mentioned in the previous section, according to most of the informants, performance of individual divisions is measured. After considering all of these points of view, I perceived that even though Sri Lanka Telecom does not measure the profitability of each division, it measures performance of individual divisions based on their KPIs. The contradictory claims made by different informants illustrate that the properties of the Sri Lanka Telecom entities that they constructed are different as they perceived the impermanence in the organisation and its context differently.

According to a senior manager in the Internal Audit division, in spite of new management controls implemented within the organisation, there is still unnecessary

expenditure. He claimed that there is therefore a need for new controls to minimise costs and to improve the efficiency of operations. These different perceptions further illustrate that informants within Sri Lanka Telecom constructed different knowledge about the importance of cost controls and perceived the need for change differently.

Inventory management

The inventory management practices that I observed in Sri Lanka Telecom were similar to the practices documented and reported by me for the Department period, except for the use of simple computerised inventory controls. A senior manager noted that Sri Lanka Telecom is planning to introduce a supply chain management system (as a part of the proposed Enterprise Resource Planning System that Sri Lanka Telecom was intending to purchase in 2010) to cut down unnecessary inventory-related costs because the organisation now handles very high value inventories. As related below, several other informants spoke about the proposed Enterprise Resource Planning System. Except for the informant from the particular division that handles inventories, other informants did not mention changes to inventory management as this is not an area that they are interested or involved in. Therefore, they lacked knowledge about this area and could not perceive the change that I observed in this regard.

Internal audit

From the knowledge that I constructed about the accounting practices of the organisation since its inception, I found that internal audit is a practice that is continuing from the Department period. A senior manager said the Internal Audit division reviews internal business functions, their implementation and the level of compliance. This helps Sri Lanka Telecom to overcome issues in the business processes, implement new controls and manage risk. According to a senior manager in the Internal Audit division, the establishment of the Revenue Assurance division in 2008 was a result of these reviews. This senior manager mentioned that Sri Lanka Telecom still has issues with some financial controls because the computerised accounting system does not produce all required management information. He specified the need to make improvements in the current accounting system rather than implementing new, complicated systems, such as the proposed Enterprise Resource Planning System. According to him, out-dated management policies and

incompatibility of technology used in management controls are some of the reasons for the current issues in the management processes.

6.4.6. Planning tools

Preparation of annual budgets and annual business plans are two main planning tools carried over from the Department and Sri Lanka Telecom Corporation periods. However, after privatisation, the objectives for preparing annual budgets and annual business plans were changed due to the changed context of Sri Lanka Telecom and new planning tools were introduced. The change I observed in relation to planning tools used during the Sri Lanka Telecom period is explained below.

Since its inception Sri Lanka Telecom has used budgets as the main tool for planning. According to my observations, the main objective when preparing the annual budget has changed as circumstances changed. I perceived that, as a Department, preparation of estimates (i.e., budgets) was a mandatory requirement to obtain funds from the Government Treasury. However, current budgets are used as a means of efficient resource allocation, according to Sri Lanka Telecom's Annual Business Plans. That is, the scope of planning has become more than budgeting because the Government is no longer the owner.

An informant from the Corporate Strategy division claimed that when other service providers entered the industry, better planning was required due to the loss of their monopoly and increased competition. He understood the preparation of the Annual Business Plans by the Corporate Strategy division in terms of the knowledge that he constructed and how he perceived the impermanence in the context of Sri Lanka Telecom. According to him, these plans set targets for each division, especially for the main work areas, and all operations are carried out in accordance with the plans. When preparing the annual plans, the Corporate Strategy division considers the market trends, findings of market research, market viability and past performance of Sri Lanka Telecom, and adopts both a top-down and a bottom-up approach to preparing the plans. According to him, with the increased competition in the industry across the country and outside, Sri Lanka Telecom not only had to introduce different accounting practices, but also it added new functions, such as marketing, research and

development, and customer care services. Indeed, the way of doing business was changed to improve customer satisfaction and to survive successfully in the market.

A few senior managers made reference to the proposed Enterprise Resource Planning System, claiming it would support an efficient planning process. The knowledge constructed about the Enterprise Resource Planning System by these senior managers is contradictory to that of the senior manager referred to in the previous section. Some managers favour implementation of the new system and others oppose it.

The Budget division operates two sections, covering the Capex (Capital Expenditure) and Opex (Operational Expenditure) budgets. The Capex budget section evaluates capital projects based on profitability. Before privatisation, the Government Department did not have any controls over spending the allocated budget on specific projects. The Government Department tended to spend the total allocation for a given project without attempting to make savings by containing costs if the budget was not going to be exceeded. It had little business or financial motivation to do otherwise, as any unspent allocations had to be returned to the Treasury.

A senior manager commented that Sri Lanka Telecom uses ratio analysis and forecasting techniques (e.g., to project customer demand, revenue) in planning activities. I could not observe any evidence of forecasting techniques before independence. Based on my knowledge constructed about the context of Sri Lanka Telecom, it can be assumed that such forecasting techniques were not required during the past as the main objective of the Department was to facilitate government administration and not to provide services to the general public. Forecasting techniques were probably initiated as Sri Lanka Telecom started operating with commercial objectives after its privatisation.

Generally, senior managers knew of changes in the usage of planning tools because they are involved in the planning activities. However, middle managers were also able to explain uses of budgets and implementation of some other planning tools. Accordingly, the knowledge that I constructed about planning tools was derived by integrating the perceptions of various informants from different levels of the organisational hierarchy and from different divisions.

6.4.7. Revenue assurance

Revenue assurance is a new accounting practice that I observed has only been applied during the Sri Lanka Telecom period. Although the Department started to levy charges on private subscribers, the revenue collection process of the Department and the Corporation was not complex until the mid-1990s, as only basic telephone facilities based on fixed line telephones were provided. Furthermore, the number of subscribers was quite limited compared with the population and with the number there are now. The Telecommunications Department collected monthly revenue from subscribers only at regional offices and used only two government banks to deposit the collections. However, informants from the Billing/Revenue Collection and Revenue Assurance divisions claimed that the limited number of collection points, lack of controls in the revenue collection process and technical limitations caused errors in the billing process, created high revenue “leakages” and many opportunities for fraud. These issues in the organisational procedures at the point of privatisation demanded a significant change in accounting practices. Informants from these two divisions claimed that even though managers felt the need for such changes, constraints in decision making and administrative processes prevented them making the required changes.

Informants who are involved in the revenue collection process perceived that increased complexity in the revenue collection process resulted in the introduction of new accounting practices, which were supported by the flexible decision making structure outlined in Section 6.4.3. They noted that changes in technology, growth in the customer base and entrance of competitors resulted in the introduction of more products, different service packages and new payment methods. The number of collection centres also increased. Thus, they perceived that the revenue collection process became complex and, consequently, Sri Lanka Telecom had to introduce more controls to the revenue collection process, in order to minimise fraud and enhance accuracy of the billing and collection process. For example, recently Sri Lanka Telecom introduced a process of daily reconciliation of revenue collected from each regional office and other revenue collection centres, cash collections and bank transfers. A senior manager claimed that the establishment of the Revenue Assurance division in 2008 resulted in introducing further controls and improvements to the

billing system and to the revenue collection process. Implementation of new technical controls within the revenue assurance process were supported by the technological developments within the industry. With modern technology, the division has been able to improve the accuracy of the revenue collection process.

My knowledge constructed about the impermanence in accounting practices related to the billing, revenue collection and revenue assurance activities were derived from changes observed by informants from the Billing/Revenue Collection and Revenue Assurance divisions. Other informants did not perceive impermanence in this regard as they lacked knowledge or had less interest.

6.4.8. Quality assurance

Application of quality assurance practices is another change I perceived that is exclusive to the Sri Lanka Telecom period. Most of the informants perceived this change as a part of the replacement of the British bureaucratic structure with the Japanese management model introduced after privatisation. Some informants noted that such quality assurance programmes were not implemented under government ownership, mainly because of monopolistic power of the Department. Their perception was that quality assurance was not an important aspect before liberalisation of the industry as Sri Lanka Telecom did not have to compete in the industry.

A total quality management programme was introduced in 2002. According to some informants, the influence of successive Japanese chief executive officers was a key factor in this and other changes in quality assurance practices. Some informants, both from operational and senior levels, claimed that under this programme, employees were encouraged to introduce new systems in their respective divisions to overcome prevailing problems.

Some informants told how Sri Lanka Telecom organises inter-department quality assurance competitions and participates in external business competitions (e.g., National Productivity Award, Taiki Akimoto 5S Awards²⁵) to motivate employees. A

²⁵ A competition organised by Japan Sri Lanka Technical and Cultural Association.

senior manager noted that Sri Lanka Telecom was planning to obtain ISO 9000 certification (a standard that ensures meeting the needs of customers and other stakeholders) for at least some of its divisions by the end of 2010, which they did achieve. She perceived that these programmes have improved care for the workplace and equipment, improved work ethic and practices, and increased workers' enthusiasm.

Comments obtained from other informants at senior and operational levels indicated that most of the employees across Sri Lanka Telecom are aware of changes relating to quality assurance. This is because quality assurance programmes are implemented companywide and all employees are involved in the implementation stage.

6.4.9. Future

My knowledge about the future changes Sri Lanka Telecom intends to introduce was constructed from the perceptions of senior managers and managers. As most of my other informants were not involved in the planning stages of these changes, they lacked knowledge about future changes. Managers claimed that mere focus on financial performance would not ensure long term success in the highly competitive telecommunication industry. They believe they have to pay attention to all other aspects, such as customer learning and innovation and internal business, in order to continue successfully in the market. A manager said that, to enable this, Sri Lanka Telecom is planning to implement a Balanced Scorecard system within another year or two. However, another senior manager argued that there is no need for such theoretical performance measures and Sri Lanka Telecom could operate with the existing performance measures. Yet another senior manager claimed that Sri Lanka Telecom is also planning to introduce an automated system to measure performance. These different perceptions of various individuals show that the entity they constructed about the future of Sri Lanka Telecom is different from one another and they are perceiving possible future changes differently.

6.5. Synthesis

Despite the significant changes that I perceived in the context, which I would have expected to create the need for changes in the production of accounting reports, I observed relatively minor changes in the reports produced by the Colonial

Department during the Colonial Department period because they were highly regulated by government rules and international conventions. The nature of the reports after independence was very similar to those of the Colonial Department period, except for a few changes made to meet the information requirements of the new projects undertaken. Changes in the regulations applicable to the Corporation and the use of computer applications for accounting data entry and production of some of their accounting reports are the main changes to the preparation of annual financial reports that I perceived during the Corporation period compared to the Government Department period. I observed further changes in the nature of accounting reports produced at the point of privatisation to align them with in the regulations applicable to Companies. As mentioned in the introduction to this chapter, owing to the nature of available historical information, my knowledge about the records kept during the periods before the Sri Lanka Telecom period is limited. However, as most of the informants were aware of the accounting reports produced to obtain relevant management information, I was able construct more detailed knowledge about records kept during the period after privatisation. In addition, I observed changes in the frequency of the reports and changes to the computer applications used for accounting functions with the changing context during the Sri Lanka Telecom period.

Quantitative descriptive reports of financial performance, administration of the staff and technical performance are main reporting practices I observed during the Colonial Department period. These reports lacked standardisation and indeed were changed frequently. I observed relatively few changes in reporting practices during the Government Department period compared to the Colonial Department period. In my opinion, the few changes observed might be due to stability inherent in the unitary government administration structure and similar factors; the lack of a desire to change and of knowledge of possible change and its consequences among Sri Lankans who took over at the top from British administrators; and the limited availability of information I could obtain about this period. These reporting practices continued until privatisation of the Corporation. The changed context of Sri Lanka Telecom at the point of privatisation resulted in the introduction of new reporting practices related to the revenue collection process, companywide cost controls, quality assurance, performance management and investor relations. The relatively more frequent changes to reporting practices observed during this period are due to the following

factors: the involvement of NTT's Japanese senior staff, the changed educational background of employees, the greater empowered of managers to make necessary changes when required, changes in the structure of the organisation, changes in global developments in the accounting discipline and the increased availability of information about this period.

I perceived that more significance was accorded to revenue, pricing and costing practices in this current Sri Lanka Telecom period than during the Colonial Department, the Government Department and the Corporation periods. During the Colonial Department period, the main objective of pricing and costing of the services was to ascertain the value of the services provided by the Colonial Department to other government departments and British business organisations operated in Sri Lanka and for international communications, which were also of a government and business nature. Even though this objective changed after independence to providing infrastructure to support the economic development and to meet the growing public demand, I did not perceive a change in the level of significance paid to pricing. In my opinion, pricing was less significant during the Government Department period owing to other contextual factors, such as regulations applied to government departments generally and the monopoly form of the industry. However, I perceived that application of competitive pricing strategies was important for Sri Lanka Telecom after privatisation, in order for Sri Lanka Telecom to cope with the changes in the context and because the authority to make appropriate changes now lay within the organisation itself, rather than further up a chain of government administration.

During the Colonial Department period and the Government Department period, the authority to make strategic, development and investment decisions was not delegated, although for different reasons. Decision making mostly occurred when making investment decisions and undertaking new development projects during both periods. While the decision making structure was still rigid during the Corporation period, attempts were taken to change the long-standing decision making processes to meet the commercial objectives of Sri Lanka Telecom Corporation. A major change during the Sri Lanka Telecom period was the improved efficiency in decision making brought about by decentralising the organisational structure and delegating decision making authority to lower levels. In addition, use of non-financial information and

some new project evaluation criteria for decision making were observed during the Sri Lanka Telecom period.

Sri Lanka Telecom mainly focused on improving technical and operational performance until privatisation of the Corporation. Thus, performance measures until privatisation included measures that reflect the operational efficiency even though the information provided in the administration reports changed with the change in the nature of the services provided.

The evaluation of employee performance was not a significant concern during the Colonial Department period. However, attention was paid to improving the efficiency of employees after the Colonial Department started providing services to the general public and during the World War II period. The main objective of employee performance evaluation during the Government period was to recommend annual salary increments and it was mainly based on government regulations. With the change in the legal form of Sri Lanka Telecom at the point of privatisation, the performance evaluation system based on Government Regulations changed to a system based on commercial objectives. A major change in the performance evaluation system during Sri Lanka Telecom period can be seen in the attempts that were taken to integrate performance of operations and employees. I perceived frequent changes in employee performance evaluation for various reasons compared to the Colonial Department period, the Department period and the Corporation period.

I observed that since its inception Sri Lanka Telecom has been adopting controls such as inventory controls, safeguarding of assets, auditing and cost controls. During the Colonial Department period I perceived that some changes were made to these controls to overcome implementation and practical issues. An important difference between the Colonial Department period and the Government Department period was there was more flexibility to make these changes during the Colonial Department period compared to the Government Department period. The Government Department could not adopt changes that were important and specific for the telecommunications industry as it was bound by the common government controls. Controlling costs of the Department became a major concern during the Government Department period. These various accounting and management controls continued even after privatisation but with modifications to meet the requirements of the changing context. The

privatised Sri Lanka Telecom had the authority to make necessary changes to its control systems as it was not bound by government regulations.

Annual budgets were the key planning tool used in the Government Department period and applied to all other parts of the Government as well. These annual budgets can be perceived as an extension of the revenue and expenditure estimates prepared during the Colonial Department period. Preparation of annual budgets during the Government Department period was necessary to meet the government regulations covering recurrent revenues and expenditure and to request funds from the Government for the Government Department's future development projects. The introduction of annual business planning during the Corporation period is evidence of Sri Lanka Telecom applying planning tools with commercial objectives for the first time. After privatisation, planning tools, such as annual business plans, budgeting, cash management and forecasting techniques, became more significant and the objectives of their application changed with the altered context of Sri Lanka Telecom.

The revenue collection process was not complex until privatisation of the Corporation. However, introduction of various products and services, new payment methods, and the change in the context of Sri Lanka Telecom resulted in more control issues in the revenue collection process. Therefore, Sri Lanka Telecom established the Revenue Assurance division and introduced further controls specific to the revenue collection process from 2008.

Application of quality assurance practices is another accounting practice specific to the privatised Sri Lanka Telecom. Quality assurance was not perceived as important before privatisation because the Department had monopolistic power. However, a high level of importance was paid to quality assurance practices with the transition of management from the Government to the Japanese and the intense competition in the industry.

6.6. Summary

This chapter presents how I perceive the impermanence of accounting practices at Sri Lanka Telecom from its inception in 1857 until 2010. It shows how I have constructed my knowledge about the impermanence by integrating documentary evidence and the informants' knowledge about impermanence of accounting

practices. The knowledge that I constructed about Sri Lanka Telecom and its context that I present in Chapter Five has helped me to understand and interpret the change I perceived in accounting practices at different point instances. Table 3 shows the points in time of the change I perceived in the context that I have used in interpreting the impermanence in accounting practices. Based on this knowledge and that presented in Chapter Six, most readers would conclude that the impermanence in accounting practices cannot be explained in terms of only one or a few aspects of the organisation, its context and aspects of human behaviour.

In presenting Table 3 in Chapter Five, it was argued that consideration of only one or a few aspects of change will limit the observations of individuals and limit the ability to explain the change in accounting practices. However, consideration of the organisation, its context and accounting practices together enables the observer to perceive more changes and increases the ability to explain change in accounting practices. Even though I have used the change in the legal form of the organisation as a point of reference to present the knowledge constructed in this chapter, its context and accounting practices have been impermanent even within the defined time periods, as shown in Table 12 (which is based upon Tables 8-11). I have used the change observed in various aspects of Sri Lanka Telecom and its context to interpret the change observed in accounting practices in the years in between the changes in the ownership.

I have also demonstrated in this chapter that observers, including informants, interpret the impermanence in accounting practices according to their ability to perceive change in the organisation and its context. I have signalled this at the end of most sections and subsections of this chapter. This illustrates that interpretations of change perceived in accounting practices are relative to an individual's perceptions and to the properties of their constructed entities of the organisation. Overall, most of the current employees of the organisation do not possess knowledge about the organisation and its accounting practices before privatisation. Thus, for example, they claimed that the organisation did not use formal accounting practices before privatisation. Another possible reason for the managers' claim of not having accounting practices before privatisation is that they were apt to be dismissive of their predecessors and considered themselves as better managers for modernising Sri Lanka Telecom and for

changing things away from a long history of what they perceived as stagnancy and lack of competence. As I perceive that one reason for the relatively better performance of the managers since privatisation is the freedom given to them to make independent administrative and financial decisions within certain boundaries whereas a major constraint that hindered the performance of the employees of the Department and the Corporation was the requirement to follow common government procedures.

Table 12: Summary of the Perceived Changes in Accounting and Reporting Practices

Year	Legal Forms	Accounting and Reporting Practices
1858	Colonial Department	Accounting information for British Imperial authorities: Financial Performance; Analysis of profits, costs, details of special projects, estimates of receipts, financial controls and issues in controls; Operational Performance; Delays in transmission, expansions in network, maintenance activities; Administration of staff and general administration
1876		Statement of loss suffered by the Government of India
1900		An analysis of the services provided to other countries
1904		Balance sheet, statements of income/revenue and expenditure, revenue analysis
1906		Statement of estimated value of work done free for other departments
1939		Free services and concessions given to military forces
1942		Auditing of the statements Reconciliation between cash figures and commercial accounts figures
1946		Statement of loan liabilities with the Ceylon government
1948	Government Department	Accounting information required by Administrative and Financial regulations: Capital and recurrent expenditure budgets; Details of future projects; Financing of future projects; Reports on safeguarding of physical resources and controls usage
1953		General summary of profit and loss
1991	Sri Lanka Telecom Corporation	Accounting requirements of government corporations: Annual corporate plan; Financial management including target required return; Improved financial controls and internal audit function; Inventory management; Computerised accounting data entry system; IMAS accounting system introduced
1996	Sri Lanka Telecom	Accounting requirements of public companies
1997		Introduction of Japanese management controls, emphasis on improving productivity and quality; fund management and budget functions separated
1999		New performance management system
2000		Computer applications for accounting
2001		Company-wide cost control system introduced
2002		New quality assurance system
2003		New revenue collection system; New division for investor relations
2006		ISO 27001
2008		Revenue Assurance division
2009		Planning to obtain ISO 9000
2010		Business process re-engineering

Contrary to the perception of informants, according to the knowledge that I constructed based on the documentary evidence, I perceived that the organisation has been using various accounting practices since its inception or introduced them much earlier than current employees believe. Accordingly, I integrated evidence collected

from all these different sources to construct a relatively comprehensive knowledge about change in accounting practices. I also showed that the extent to which current employees/informants are aware of changes around them varies according to the changes and how they are involved or affected by them. Thus, while many know, for example, about changes in employee performance evaluation and quality assurance programmes, few are aware of the changes in decision making process, inventory management, planning tools and revenue assurance.

The next chapter uses the evidence presented in the last two chapters in discussing how individuals construct realities and interpret change relative to those constructed realities, why individuals perceive and interpret change in accounting practices differently and the importance of looking at the context of the organisation as a whole in explaining the impermanence in accounting practices.

Chapter 7

The Change I See

In this chapter I use the concept of impermanence to interpret the change I observed in accounting practices of Sri Lanka Telecom, and explain the difficulties in applying extant theories of accounting change. As argued in this study, change is the observation of differences in the properties of the entities constructed by each observer. In other words, the entity that observers perceive as changing is the entity they constructed. My interpretation of change in accounting practices of Sri Lanka Telecom is based upon the framework presented in Chapter Four. I apply the concept of impermanence to understand the nature of change. As explained in Chapter Four, observers construct static entities owing to their inability to perceive the continuous emergence and decline of organisations or accounting practices. After constructing static entities, next the observers attempt to compare attributes of two consecutive constructed entities and arrive at conclusions about change. Thus, in this study I explain change of various constructed entities, rather than of a reality that exists independent of the observer. As observers construct static entities relative to their interests, experiences and knowledge, properties of these constructed entities are different among observers. Applying this concept, I explain the reason for individuals perceiving change in accounting practices and organisations differently.

The chapter is separated into six sections. Earlier I identified several problematic issues in the current approaches taken in research on accounting change. I revisit these in the first three sections. In the first section, I review why it is not plausible to identify only one or a few specific factors as causes of change in accounting practices. In the second section, I elaborate why different individuals perceive change differently and act differently. In the third section I discuss inadequacies of studying change in accounting practices as differences between two predetermined point instances. In this section I also explain how observers identify time periods of change.

The last three sections of the chapter are devoted to three aspects of change. In the fourth section, I explain change in accounting practices as a construction of observers. To do this I compare and contrast how the informants and I constructed different realities of Sri Lanka Telecom and its accounting practices using varying key properties; and how we observed the change within these constructions in our own individual modes. In the fifth section, I explain

the importance of observing the whole context - as much as possible - in order to minimise the limitations of researchers' observations. In the sixth section, I discuss the notion that what individuals observe as change is the perceived differences of the properties of the constructed entities at two consecutive point instances. Thus, I demonstrate that the change that researchers perceive is not independent of themselves or any other observer.

7.1. Can we identify an absolute cause of change?

In Chapters Five and Six, I presented a broad range of historical and current evidence, context specific events, and exceptions to general patterns; and analysed and interpreted their relevance to change in accounting practices. Based upon the evidence collected, about Sri Lanka Telecom over a period of more than 150 years, a longer period than is typical of most research, quantitative and qualitative, I found that it is not possible to reduce causes of change in accounting practices into only one or a few drivers of change during any period of interest. This contrasts with Kezar (2001), who identified specific drivers of change as shown in Table 1. Similarly, Burns and Baldvinsdottir (2005), Burns and Scapens (2000), Chetty (1996), Davila and Oyon (2008) and Scapens (2006) raised problems with identifying only one or a few causes of change in accounting practices. In this section I delve further into the difficulties involved in application of a particular organisational change model and limiting drivers of changes to only one or a few factors when trying to comprehensively explain changes to accounting practices.

The categorisations of Van de Ven and Poole (1995) and Kezar (2001) (see Chapter Three) demonstrate how each organisational change theory limits drivers of change to a list of factors, depending on the theoretical approach taken. For instance, my review in Chapter Three showed that Anderson and Young (1999), Foster and Swenson (1997), Gosselin (1997), Innes and Mitchell (1990) and Nassar et al. (2013), who adopted teleological approaches, consider only factors that are internal to organisations (Malmi, 1999). Similar to their findings, I did indeed observed various internal factors of Sri Lanka Telecom, such as the ownership, organisational structure, the technology used, the need to improve the financial performance and the influence of the management. However, in addition to those internal factors, I found wide-ranging factors that are external to the organisation. In Chapter Six, I associated these with changes in the accounting profession in Sri Lanka, developments in global telecommunications, restructuring of the telecommunications industry, changes in the regulatory environment and government policies, many of them specific to Sri Lanka

Telecom. These internal and external factors I observed could have been uncovered in evolutionary approaches (e.g., Abdel-Kader & Luther, 2008, Baines & Langfield-Smith, 2003, Callahan & Gabriel 1998, Chenhall 2003). However, I found that one or a few of these internal or external factors do not explain all of the changes in accounting practices that I observed throughout the long period of Sri Lanka Telecom's history.

Trying to apply organisational life cycle theory is also problematic because it considers only a few factors as determinants of stages of organisations (Kezar, 2001). For instance, similar to the findings of Davila and Foster (2005), I found evidence of application of accounting practices such as preparing revenue and expenditure estimates, accounting controls and operational and employee performance measures during the Colonial Department period of Sri Lanka Telecom. However, I found the application of the organisational life cycle approach is problematic in explaining further changes within a particular stage of Sri Lanka Telecom's life cycle. For instance, I could not explain the change I observed in accounting practices at different point instances in the early stages of the Colonial Department listed in Table 8. Explaining changes in accounting practices such as calculation of losses suffered by the Government of India in 1876 or valuation of the services provided to other Government Departments from 1906 created problems, as this model considers only a few factors in determining stages and hardly any that are specific to context. As can be concluded from the knowledge constructed in Chapter Six, continuation, introduction or discontinuation of accounting practices at Sri Lanka Telecom over this long period is neither consistent nor predictable, and so the analogy of a life cycle is inadequate, contrary to the claims of Beverland and Lockshin (2001) and Hanks et al. (1993).

Similar to findings of Busco and Scapens (2011), using a cultural approach, I observed that introduction of accounting practices after privatisation resulted in engineers and other employees involved in technical roles becoming concerned about attaining commercial objectives and introduction of both financial and non-financial performance measures. My observations of the accounting practices during the much earlier periods of Sri Lanka Telecom indicate that there was great interest in technical and operational developments; the organisation had a high proportion of engineering staff during this period. However, application merely of a cultural approach did not help me very much to interpret the change I perceived in accounting practices during the post-privatisation period. In spite of Busco and Scapens' claim that infusion of management accounting practices can lead to improved

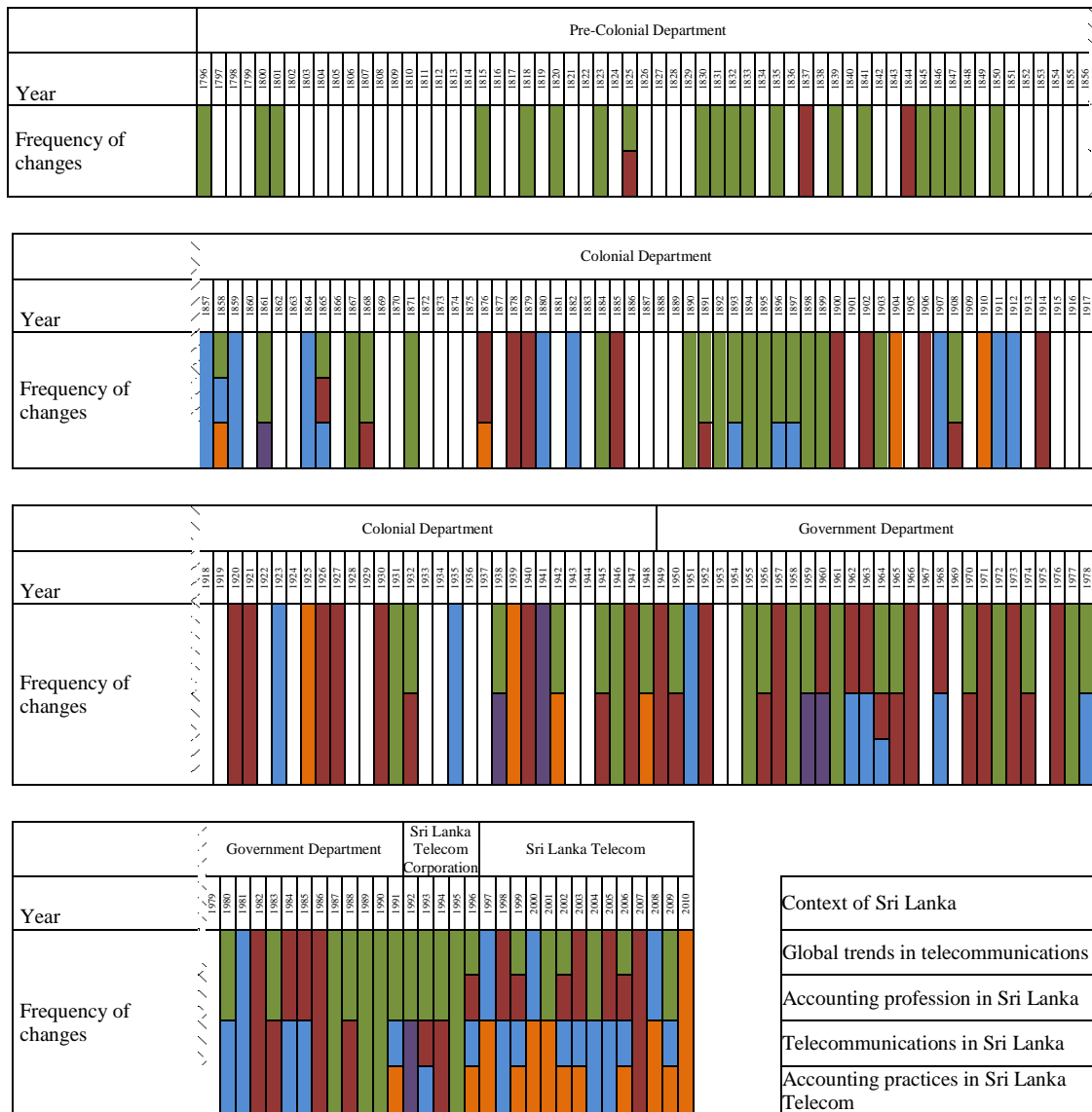
organisational communication, my findings presented in Chapter Six show that still there are some communication gaps between employees of accounting and non-accounting divisions. For instance, I found contradicting opinions between senior managers from the Operations and the Finance divisions regarding implementation of an activity-based costing system.

As explained above, the knowledge that I constructed in Chapters Five and Six demonstrate that even though I perceived the change in accounting practices in terms of internal and external factors of the organisation, or stages of organisational life cycle, or the culture of the organisation at various points in time, one particular model did not explain what was happening at Sri Lanka Telecom throughout its lifetime.

As to why these difficulties arose, I advance the following arguments. I observed innumerable factors in the temporal and spatial context of Sri Lanka Telecom that impacted on its accounting practices (among other things). As shown in Table 13 (derived from combining changes in all aspects shown in Table 3), I observed impermanence of Sri Lanka Telecom, its context and its accounting practices at various point instances and in various aspects. I identified four problems associated with limiting the study to only one or a few drivers of change.

The first problem I identified is that, as a researcher, I could not ignore the relationship between the change observed in other aspects of the context and in accounting practices in order to interpret changes. For instance, I perceived changes in the context of the organisation within the time periods of ownership that I set in Chapter Six (see Table 13). The changes that I perceived in the context of Sri Lanka Telecom, in aspects other than ownership, helped me understand and interpret the change that I observed in accounting practices. For example, during the Colonial Department period I perceived many changes in the context, including establishment of institutions for financial control, assignment of financial control to the legislative council, obtaining funds from the Government of India and the Ceylon Treasury for infrastructure development, provision of telecommunication services to the public and involvement in World War II. I used these contextual factors to interpret the change perceived in accounting practices, such as preparing Statements of Loss suffered by the Government of India, Estimated value of the services provided to other Departments, Commercial accounts, Statement of loan liabilities to the Ceylon Government, Free services and concessions provided to military forces, and the Balance Sheet, Profit and Loss account and Revenue Statement.

Table 13: Frequency of Changes Perceived in Sri Lanka Telecom, Its Context and Accounting Practices



Furthermore, I perceived that change in accounting practices could also be understood in terms of changes in other aspects of the context, such as expansion of the services to other government departments, influences of the global telecommunications industry, inauguration of international services and establishment of the Ceylon Accountancy Board.

Similarly, I perceived many significant contextual changes in different aspects of the organisation from independence until its transformation into a corporation. These changes included changes to the technology adopted by the Government Department, the level of demand for services, international standards of telecommunications, the people's way of life, the scope of operational activities, financial sources of the Government Department's projects and employees of the Government Department. However, I perceived that the changes in

accounting practices were relatively few compared to the changes in the context of the organisation during this period. For example, according to my observations, projects undertaken to automate the telecommunications system during the 1960s and 1970s did not result in changes in accounting practices being adopted by the Department. The evidence I gathered about the context of the organisation, other than the change in the ownership, helped me to interpret why there was little or no change of accounting practices during this period. For instance, unitary financial and administrative regulations that are applicable to all government departments, lack of expectations for making financial profits, the monopolistic position within the industry and less popularity of accounting education in Sri Lanka are some reasons that I identified for the fewer changes observed in accounting practices during this period.

As shown in Table 3, I perceived a lot of changes taking place in several aspects of the context of the organisation from the mid-1990s onwards. These included the liberalisation of the industry, increased competition in the local telecommunications industry, rapid technological developments in the telecommunications industry, expansion of business activities and increased use of telecommunication services in society. The end of the terrorist war also created new markets for operators. Furthermore, there were educational, staffing, management and cultural shifts during this period, such as developments in accounting education in the country, empowerment of employees, changing the business strategies and changes in the culture of the organisation (i.e., British administration followed by the Government of Sri Lanka, then Japanese Management). Different aspects of changes in the context were interpreted as reasons for the frequent changes that I observed in accounting practices. A comprehensive account of contextual changes was the key to explain change in accounting practices, including the introduction of new pricing methods, new supply chain management systems, new accounting and management controls, performance measures, quality controls, and management decision making tools after privatisation of the Corporation.

The second problem that I identified in limiting the study to only one or a few drivers is that the frequency of changes I observed in changes in accounting practices did not coincide with the changes that I observed in Sri Lanka Telecom or its context and vice versa. As shown in Table 13, my observations consist of changes to different aspects of the context at different frequencies. If I had concentrated on only one or a few aspects of change in the context of Sri

Lanka Telecom, I might not have been able to relate all the changes observed in accounting practices to those limited number of changes observed in a particular aspect in the context. Thus, application of only one or a few drivers of change would not have explained all the changes that I perceived in accounting practices.

This issue is linked with the limitations involved in collecting empirical materials. As illustrated using Figure 6 in Chapter Four, owing to the limitations of observations, individuals do not observe all instances of change, which results in information gaps between observations. Similarly, observations of changes only in a predetermined aspect of the organisation or its context would have resulted in many information gaps. For instance, Table 13 demonstrates that there are indeed such gaps in perceiving change (e.g., change in global telecommunications does not coincide with change in accounting and there are gaps between each observed change). Thus, I would not have been able to interpret the change perceived in accounting practices if I had paid attention only to a predetermined aspect of the organisation and if the changes in that aspect had not been perceived simultaneously with changes in accounting practices. I encountered this problem in trying to use the life cycle model. It was difficult to explain the lack of observable changes or relatively few changes in accounting practices during the Government period. Instead, as shown in Table 3, when we take the whole context together, we can perceive more changes. Thus, we may be able to understand and interpret a change in an accounting practice from one aspect that could not be explained in terms of another aspect.

The third problem that I found in interpreting change in accounting practices is that individual factors show different characteristics when put together, and in different combinations completely different outcomes may result, or a particular outcome may not always be observed (as argued in Chapter Four). For example, as shown in Chapter Six, the ownership of Sri Lanka Telecom did not change until 1948. However, I perceive relatively frequent changes in accounting practices at various points in the period from 1857 to 1948 compared to during the Government Department period. The changes that I perceived in other aspects, which were summarised in Chapter Five (Table 4-Table 7) confirm that the organisation did not remain the same during this entire ownership period.

Thus, we can conclude that a change in one aspect does not necessarily result in a change in an accounting practice. A cause for this may be found in an observation that I had in common with many of my informants, that Sri Lanka's administrative structure required that all

government departments follow a unitary accounting system and the Department could not change its accounting practices very easily, even when changes in its context might have made them imperative.

As shown above, it was difficult for me to identify a single cause for accounting practices in the organisation changing (or not changing). Thus, if I had applied a particular theory that focusses on only one or a few aspects of change, my observations about the context would have been constrained and I would have ignored some changes in the whole context over the period that the organisation has been operating. Thus, I would not have been able to explain all the changes in accounting practices that I observed, resulting in misleading interpretations of change in accounting practices.

The fourth problem I identified is that merely naming or listing factors as drivers of change disregards the meanings attached to each factor in different settings. For example, my use of the terms “subscribers”, “general public” or “customers” to refer to people who obtained services from Sri Lanka Telecom in different situations show that a particular factor has different meanings in different settings. Thus, we cannot consider or compare “subscribers”, the “general public” or “customers” as the same, as Sri Lanka Telecom provided different kinds of services to them and the consumers had different expectations of Sri Lanka Telecom. Accordingly, changes in the services provided to consumers or changes in their expectations from Sri Lanka Telecom, had different implications, and subsequent changes in accounting practices cannot be compared directly. As I observed, these three categories of “consumers” had different price concerns, contexts, social needs and preferences, which cannot be ignored when considering how Sri Lanka Telecom treated them in different periods and perceived their requirements. Hence, different accounting practices were needed for the different types of “consumers”.

Therefore, as noted by Collins (1998), Jayasinghe and Wickramasinghe (2007) and Preston (1992), I conclude from the evidence presented in Chapters Five and Six that it is important to study the empirical context to reach an understanding of the research site beyond the formal organisation, its complexities and contradictions of opinions of individuals. My observations about the context of Sri Lanka Telecom enabled me to understand unique uses of accounting practices. For instance, the losses suffered by the Government of India during the period 1875-76 from several projects financed by India was only calculated and reported

once. I would not have observed this report if I had been focusing on a limited number of internal or external factors or sources of evidence.

The above discussion clarifies the need for researchers to consider the whole context of an organisation without limiting their studies to something predetermined, whether by limiting the number of considered aspects or selecting a particular period of time. When I started this research, I already recognised the importance of studying the socio-economic and political context, as suggested by researchers such as Alawattage and Wickramasinghe (2008), Collins (1998) and Dillard et al. (2004). However, I then realised that the traditional way of looking at context as independent of the researcher or the observer leads to difficulties in explaining why individuals perceive change differently. The knowledge that I constructed in Chapter Six indicates that the reasons or the interpretations attached by observers (including myself) are subject to their observations and perceptions about the context of the organisation. Thus, as argued in Chapter Four, I applied a concept that explains how people perceive change and why different individuals perceive change differently. It is, essentially, a framework that explains change as a construction of the observer. Using this framework, the following subsections discuss why different people perceive change differently, an issue that has been problematic for researchers who have adopted conventional methods and theories to explain accounting change.

7.2. Why different people perceive change differently

In this section, I discuss why individuals perceive change differently, why they act in varying ways and why unique changes are made in organisations and accounting practices. I base my discussion on the framework presented in the Chapter Four (see Figure 18, which is derived from Figures 7-9) and evidence presented in Chapter Six. I argue that individuals construct static entities depending upon their capabilities, interests, experiences and knowledge in perceiving the impermanence of organisations or accounting practices. Accordingly, I explain that different entities of organisations or accounting practices that appear to exist are constructions of observers and that each construction differs from one observer to another, the change they perceive in those entities is different.

It is important to understand why different individuals perceive change and act or react differently. In Section 3.2.4, I noted that Burns and Scapens (2000) and Guerreiro et al. (2006) wanted to understand why the process of institutionalisation of management

accounting practices differs among various groups within an organisation. Similarly, in Section 3.2.6 I reviewed how Wickramasinghe and Hopper (2005) demonstrated that the implementation of conventional management accounting practices took unexpected roles and failed in a traditional society based on a rural culture. Mumby (2005), who took a dialectical approach, claims that studies should try to understand how these contradictions and resistances occur.

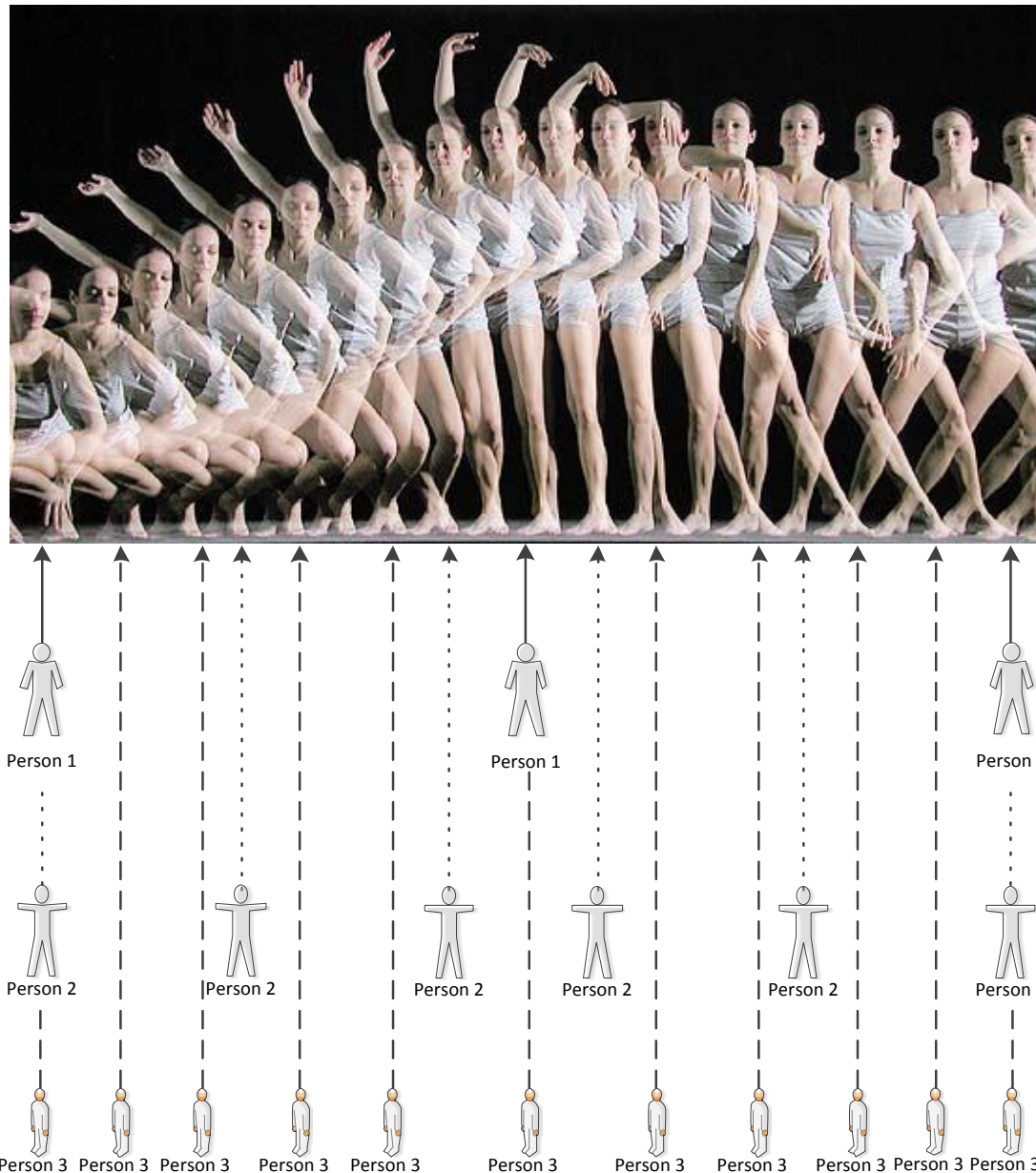


Figure 18: Various Constructions of Different Individuals

The knowledge that I constructed in Chapters Five and Six is based on the changes I perceived in various aspects of the context of the organisation and its accounting practices.

However, informants did not perceive the same change that I perceived, nor did they perceive the change in accounting practices in the same way. Moreover, I observed differences among informants in their perceptions of change in the organisation and accounting practices.

As explained in Chapter Four, there is a delay in perceiving continuous changes of objects by observers, owing to limitations in their observations. Because of this delay, observers cannot perceive the change at all instances and so they construct various images of entities, depending on their knowledge, interests and experiences, with gaps of varying intervals in time (see Figures 7-9). These constructions appear to exist and be permanent until they perceive another change in the given object, circumstance, situation or event. Because of this, individuals assume that “things” exist and remain unchanged within the interval. As individuals’ capabilities, knowledge, interests and experiences are different, constructions of one individual are different from those of another. These constructions that appear to exist are not independent of the observers. As entities are constructions of observers and differ among observers, change perceived and interpreted by each observer is also different. This concept explains why people act differently even though a given situation or a context might appear to a researcher to be common to everyone.

As shown in Chapter Six, most of the current employees of Sri Lanka Telecom did not have knowledge about the accounting practices of the organisation or its context before privatisation. I identify some reasons for their lack of knowledge about the past to include the following factors: they did not experience the events that took place during the British or early Government periods; they lacked interest in the past; they could not access detailed information about the past; and interpretations of the past that the informants relied upon came from different sources. Similarly, they may not be involved in present accounting practices, may not be interested in present or past accounting practices or may not have access to detailed accounting practice and changes in accounting practice information, whether historical or current. Most of my informants seemed to perceive privatisation as the most significant event that had taken place during the period of their employment. Thus, most of the informants used privatisation as a point of reference to compare change in accounting practices. Their claims implied that if it had not been for privatisation of the organisation, the Department would not have been able to implement accounting practices and improve the efficiency of the organisation. However, the knowledge that I constructed in Chapter Six shows that their perception of the performance of Sri Lanka Telecom, and application of

accounting practices, was different from the perception that I obtained through the inquiries I made and I was able to create a more comprehensive picture compared with the often scant or incidental evidence most of my informants seemed to have.

As mentioned above, most of informants were of the opinion that privatisation of the Corporation caused most of the changes in the organisation, including the introduction of accounting practices and the achievement of higher performance. According to the knowledge that they constructed, the organisation had not used accounting practices before privatisation. They claimed that before the 1990s, the organisation mainly focused on improving operational efficiency and that liberalisation and increased competition of the industry compelled Sri Lanka Telecom to focus on commercial objectives. Therefore, according to the constructions of most of the informants, Sri Lanka Telecom introduced new accounting practices after privatisation to meet the information requirements to operate with commercial objectives. For example, a senior manager in the Finance division claimed that Sri Lanka Telecom started preparing commercial accounts after privatisation of the organisation.

In contrast, my knowledge about preparation of commercial accounts by Sri Lanka Telecom was different from the knowledge of the bulk of those informants, including that senior manager. I found commercial accounts in Administration Reports from 1935. I observed that, in general, accounting practices during the Colonial Department period were not very different from today's practices. The Department prepared budgets, ascertained revenue and expenditure, measured efficiency of its operations, implemented management controls and compared performance with the past and with other countries from its inception. Further, I observed that when the organisation was a Corporation, it prepared annual reports that included a balance sheet and a profit and loss account, with accompanying notes.

I found a few possible reasons for this difference in observing and explaining change in accounting practices in Sri Lanka Telecom. One reason for the senior manager's claim may be that he did not have knowledge about accounting practices during the colonial period. Another reason might be that he wanted to convince me of the benefits of privatisation. On the other hand, the term "commercial accounts" may not have been used in the same sense by the senior manager as by the preparers and users of the Administration Reports. Therefore, how he perceives "preparation of commercial accounts" is different from what I perceive. Most of the informants' perceptions of the period before privatisation might be due to the

information conveyed as part of the privatisation process to convince employees about benefits of privatisation and to obtain their consent. I found evidence that newspapers and magazines that supported the Government published articles highlighting the benefits of privatisation during the early 1990s to persuade the general public of the necessity for privatisation of the telecommunications industry. There were only a few articles with a contrary opinion regarding the privatisation process.

Although I perceived more changes in accounting practices of the organisation since it was privatised compared to earlier periods (see Section 6.4), this apparent increase in changes may be because I could obtain more information about recent accounting practices from my many informants, including from different perspectives and current sources, whereas the only source of accounting practices information during the period before the 1980s were the documents I reviewed. The Administration Reports provided only one summarised perspective on the accounting practices during the Colonial Department period. From independence until privatisation, there were very few other documents available to illuminate the accounting practices of the Department. Thus, I perceive fewer changes during the British Colonial, the Government Department and the Corporation periods compared to the Company period. However, I perceived relatively more changes than perceived by most of the informants. Thus, we can see that the change that I perceived in the context of Sri Lanka Telecom and its accounting practices was different from that perceived by most of the informants particularly the change during the Colonial Department period.

I also observed differences among informants, an issue Burns and Scapens (2000) and Guerreiro et al. (2006) highlighted. As shown in Chapter Six, change perceived by different individuals is subject to their interests and the significance they attach to the events they experienced or knew about. The differences I observed among the informants' perceptions about change in accounting practices during the period they referred to as "post-privatisation" can be used to illustrate this issue. Most of the informants from middle level and operational level management talked about changes in the performance evaluation system, administrative controls and procedures, quality control systems and welfare schemes, because these mattered to most of them and had a direct impact on the middle and operational level employees. Thus, those employees are given more information and informants were willing to talk about those areas of work that are more familiar to them. Accordingly, they perceived more changes in these aspects of organisational and accounting practices. On the other hand,

senior managers perceived changes in the strategies, structure, sources of financing, application of new technology, competition in the industry, regulatory environment and tariffs as more important changes among other changes they observed. Accordingly, I observed that the change perceived by the senior managers is different from those of the middle level and operational level managers.

Another example of the differences in perceiving change is the different opinions of informants regarding privatisation of the Corporation. Even though most of the informants claimed that privatisation was essential to operate successfully within the changed market conditions, I found a few informants who had a different opinion regarding the privatisation process. For instance, as mentioned in Section 5.4.2, an informant referred to the Singapore Telecommunications industry, noting that one cannot claim that the type of ownership of the organisation necessarily has an impact on its performance. He was of the opinion that the changes introduced after privatisation could have been carried out even under government ownership and could have still improved the performance of the organisation. Moreover, a few senior managers, who have been working at Sri Lanka Telecom since the mid-1980s, claimed that they had more work satisfaction prior to privatisation whereas the majority of the informants claimed that they have more satisfaction with the current organisational setup.

Another instance of a claim contrary to the perceptions of most of the informants was made by Head of the Accounts division. Most informants thought that new accounting practices were the result of privatisation. However, the Head of the Accounts division said that a computer system replaced the manual data entry system during the Sri Lanka Telecom Corporation period. He was aware of this change to the accounting practices because he experienced it. I found that most of the informants from other divisions were not aware of this change and, therefore, the knowledge that they constructed about accounting practices did not include this change.

As reported in Chapter Six, I found that informants from different divisions in the organisation perceived change differently. Change observed by operations informants in a particular division was not necessarily observed by other operations informants in a different division. For example, let us consider when the Billing division was merged with the Finance

division.²⁶ Operational level employees in other divisions did not observe this change; however, those in the Billing and Finance divisions reported this change. In another case, the divisional structure was changed in the International Operations and Network division and the head of the division was changed. An accountant in a section of the International Operations and Network division claimed that the preparation of internal accounting reports and their frequency changed as a result of the change in the head of the division. Employees in other divisions did not perceive this change. Further, as mentioned above, the Head of the Accounts division claimed that the introduction of the decentralised computerised data entry system as the main change to the accounting function in the Sri Lanka Telecom Corporation period. Due to some employees in other divisions not having an interest, not experiencing or not placing significance upon these changes, although they were observed by some other informants, the change in accounting practices observed by each informant was different. As explained in Section 4.7, the differences in informants' viewpoints caused them to construct a different "reality" which depended on their interests, experiences and the level of significance they attach to the events they observed.

I also found differences in the perception among more senior informants across different divisions. A senior manager in the Operations division claimed that the organisation has to introduce an activity-based costing system, with some modifications, as the operations of the organisation are now more complex compared to the past. His claim aligns with the findings of Nassar et al. (2013) who attribute introduction of activity-based costing in an organisation to an increased proportion of overhead cost and an increased number of product variants. However, a senior manager in the Finance division claimed that an activity-based costing system is an unnecessary tool for the organisation. This shows that individuals even in the same level of the hierarchy, but with different interests, perceive the need for changes in the current accounting system differently.

As argued in Chapter Four and according to the above evidence, an observer would not be able to perceive all the changes in a context. Individuals observe change differently according to their priorities, interests, experience and knowledge. As I found, informants from different divisions who joined the organisation at different points of time had varying knowledge about change in accounting practices. Accordingly, a change that could not be perceived by one

²⁶ The informant was not aware of the exact year in which this change took place. However, according to his comments it must have been around 2003-05.

person was known by another person. As my knowledge presented in Chapter Six is constructed by integration of the change perceived by all informants and evidence obtained from documentary sources over the period, I perceived more frequent changes in the context of the organisation and in accounting practices. Accordingly, my construction about change in accounting practices was different and more comprehensive than that of all other informants.

As the knowledge about the organisation and its context constructed by informants and myself was different, and the knowledge constructed by various informants was different, the change perceived in accounting practices and the meaning attached to that change was different for each of us. Accordingly, it can be concluded that an absolute cause for change in accounting practices cannot be identified that is independent of the observers or the researcher.

As mentioned in Section 4.7, the different perceptions of individuals lead to different behaviours, which vary depending on what they perceive as change. This is why researchers (e.g., Burns & Scapens, 2000; Guerreiro et al., 2006) identify individuals acting differently even under similar conditions. Although a researcher may perceive conditions as similar, the individuals perceive them differently and act accordingly. For example, I observed that most of the senior managers supported the privatisation process of the organisation, whilst most of the operational level employees resisted the process. Based on the available evidence, I am able to conclude that their opinions depended on what overall benefits they experienced from the change in the ownership. As shown in Chapter Five, I observed a significant increase in the number of executive positions when the ownership of the organisation changed at the point of privatisation in 1997 and again in 2008 when NTT sold its shareholding to Global Telecommunications Holdings of Netherlands NV. Thus, I perceive this as a possible reason for the support of most of the senior managers for the privatisation process. My framework explains why a researcher perceives various individuals behaving differently in what appears to be similar circumstances. How different individuals perceive the situation varies with their interests, experiences and knowledge. Therefore, their behaviour and their responses vary with the change they perceive.

The framework can also explain an issue raised by some researchers of accounting change. Chenhall (2003) claims that a problem with contingency theory is that it assumes that past patterns or similar conditions can be directly applied to other organisations. Similarly,

Granlund and Taipaleenmaki (2005) and Lester et al. (2003) argue that the life cycle model cannot be applied to every organisation because it assumes all organisations go through specific deterministic stages and have common characteristics in each stage. They claim that life cycle theory ignores the differences in organisational and environmental characteristics of different types of organisations. I apply the same argument, also discussed in Section 4.7, to explain why researchers observe different accounting practices in different organisations even in the same context (perceived as the same by the researcher). For instance, during the second round of collecting evidence in December, 2010 I found relatively fewer accounting practices at Sri Lanka Telecom compared to a competitor in the same industry in Sri Lanka at a similar point of time. At the competitor company I observed the application of activity-based costing and supply chain management systems, whereas I did not observe those accounting practices at Sri Lanka Telecom. I found that this was because the two organisations perceived their context differently. Accordingly, we can see that even though the researcher perceives that two organisations are operating under similar circumstances, individuals in those different organisations act differently, as what they perceive in the context is different.

In this section I showed that different entities of organisations or accounting practices that appear to exist are constructions of observers, which are constructed based upon their capabilities, interests, experiences and knowledge as they perceive the impermanence of organisations or accounting practices. As the constructed entities are different among the observers, the change they perceive in those entities is also different.

7.3. Identification of periods

From my review of the current literature in Chapter Three, I established that most studies on accounting change compare characteristics of a stage or stages of an organisation or two predetermined points, based on certain factors within the organisation or external to the organisation (see Figure 4). For example, as explained in Section 3.2.3, organisational life cycle theory expects specific features of the organisation or accounting practices in each stage of an organisation. Similarly, Wickramasinghe and Hopper (2005) examined budgeting during five periods based on cultural and political factors. Baines and Langfield-Smith (2003) claim that a limitation of contingency theory is that it studies various relationships between the environment, organisational variables and management accounting systems at a point in time, rather than over a period of time. As I outline in Sections 4.5 and 4.6, and as I corroborated by the evidence in Chapter Six, studying changes at predetermined points in

time based on a limited number of factors chosen by the researcher or the observer prevents the researcher observing events in between the two points under consideration and implications of those events for change in accounting practices.

In contrast, as illustrated in Section 4.5, I constructed different periods of change in the organisation, its context and accounting practices depending on how I perceived the impermanence of each aspect based on the collected evidence. These periods were not at regular intervals, as I rarely perceived changes at regular intervals. Furthermore, as can be seen from evidence presented in Chapters Five and Six, the periods of each aspect did not coincide with each other. This is because I observed events in different aspects that seemed significant to me at different point instances. Therefore, between perceived changes in one aspect, I perceived more changes in other aspects.

The evidence presented in Chapters Five and Six illustrates how individuals construct different time periods based on their observations about changes in the organisation, its context and accounting practices and the level of significance they attach to each observation. In contrast to the time periods presented in Chapters Five and Six, most of the informants identified only two periods with regard to changes in the organisation and its accounting practices, namely pre- and post-privatisation. This is because, according to their knowledge, the most significant event that they perceived in the organisation was privatisation of the Government Corporation in 1997. They used this event as a point of reference to identify time periods and explain change they perceived in other aspects and in accounting practices. In contrast to my observations, most of the informants did not perceive, or were not interested in, change in accounting practices within the period they referred to as the “pre-privatisation” period. They referred to the organisation ahistorically before its transformation into a private company, and thus as unchanged during the whole period from inception until this transformation occurred. As a result, these informants were oblivious to and took no account of the events that I perceived in explaining earlier changes in accounting practices.

I perceived that accounting practices were changing with the various contextual changes of the organisation during the period that most of the informants referred to as the “Government Department” or “pre-privatisation” period, as presented in Chapter Six. Thus, I constructed more periods with relatively shorter intervals of change. I observed some developments were frequent before Sri Lanka’s independence, such as the introduction of new statements, changes to controls and introduction of standards for preparing accounting reports (see Table

8). Thus, the periods of change that I constructed have relatively short intervals. As a result, I could observe and compare relatively more changes in accounting practices than my informants, because they did not observe these changes.

However, some senior managers, those had been working in the organisation since the mid-1980s, did perceive changes in the ownership at two points, in 1991 and 1997. They perceived these events as the most significant change in the organisation. Accordingly, they constructed time periods as the Department, the Corporation and the Company, which were different from the time period constructions of the majority of informants and, although still different from my own constructions, these dual point constructions were more comprehensive than most. However, these senior managers claimed that there were very few changes between the Department and the Corporation. They also did not emphasise or seem to realise the changes that took place in the *context* of the organisation, as they were only considering changes *within* the organisation.

As presented in Chapters Five and Six, although most of the informants could not identify the range of time instances that I identified during the pre-privatisation period, they perceived more changes and identified periods with shorter intervals depending on their interests and the level of significance they paid to those events during the post-privatisation period. However, some of the informants did not refer to an exact point in time or an event, but rather they claimed a particular change took place after privatisation because it was the most significant event they perceived.

According to some senior managers, changes in strategies and introduction of new divisions, such as Revenue Assurance, Investor Relations, and Research and Development divisions, resulted in change in accounting practices. New accounting measures, including revenue leakage measures and customer credit periods; new pricing methods; new management controls and security systems; and new management information systems were introduced with these changes. Accordingly, the senior managers used these changes in the organisation and in accounting practices as points of reference and constructed time periods from these.

For example, the accountant in the International Operations and Network section perceived more changes in accounting practices compared to employees in other divisions. Therefore, the periods that she constructed regarding change in accounting practices were different from those of other employees. As she perceived more frequent changes than other employees in

other divisions, such as changes in the divisional structure and changes in heads of the divisions/sections, she identified many periods of change with short intervals since she joined Sri Lanka Telecom a few years ago. For example, she referred to periods of change in accounting practices as “after the new division was established”, “after the new head of the division was appointed”. However, she did not have much knowledge about the accounting practices in the organisation before she joined Sri Lanka Telecom because she had no experience of them. Thus, she distinguished the period before she joined the organisation as pre- and post-privatisation as her colleagues did. Because she did not have a good understanding about the period prior to when she joined the organisation, based upon her knowledge she assumed that the accounting practices did not change when the organisation was a government department and some changes were introduced at the point of privatisation. Therefore, she defined the period of pre-privatisation as a long interval, without recognising the periods with shorter intervals identified by some other senior managers; and she defined post-privatisation as having short intervals between changes. In contrast, a senior manager perceived introduction of the “transformation process” in 2007 as a significant event. Thus, when he interpret change in accounting practices, he referred to the transformation process and therefore his constructed periods from the point of privatisation were different from what was constructed by the aforementioned Accountant.

These examples show that individuals tend to construct periods depending on their ability to perceive change, the level of significance they attached to those perceived changes and the frequency of the changes they perceived. Thus, if individuals perceive more changes, they construct more periods with short intervals. The above discussion and the knowledge that I constructed in Chapter Six show that the time intervals constructed by me and informants, and among the informants, were different.

As explained in Section 4.6, we can see that if a researcher observes change only at two predetermined points of time, he or she will not observe or will ignore minor or major changes that have taken place or been perceived by other observers (e.g., most of the informants ignore the change that I perceived prior to privatisation of Sri Lanka Telecom Corporation). Many researchers assume that accounting practices between those two points have been held constant. However, as we know, periods of change are constructions by observers and they are different from one observer to another. Thus, the periods identify by one person are not the only periods of change. If an individual can identify frequent changes,

he can construct periods with shorter intervals versus a long period with only one change identified by a different individual. For instance, the claim by a senior manager that a transformation process was initiated in 2007 implies that changes have been occurring between privatisation and 2010 when interviews were held. However, some of the informants used privatisation as a point of reference, and spoke of change in accounting practices from the period from privatisation to 2010 rather than attempting to construct periods with shorter intervals by referring to frequent changes they perceived. Rather than identifying predetermined periods and studying changes of an organisation or accounting practices by the end of that period, we should try to understand the continuously changing processes of organisations and accounting systems, identifying as many changes as possible.

As explained in Chapters Five and Six, I did not identify change in accounting practices at predetermined points in time. I constructed the periods between changes based on the evidence that I obtained from various sources of information. Therefore, I was able to perceive the impermanence of accounting practices in between those predetermined periods identified by other informants. If I had relied on the periods as classified by most of the informants or by some documentary sources, I would have ignored these changes. Moreover, as I paid attention to the events that took place in the context of the organisation, I was able to perceive more frequent changes in accounting practices. Therefore, the periods of change in accounting practices that I constructed had shorter intervals relative to the periods constructed by informants. However, because I was not able to observe changes between each of my point instances, even my more comprehensive construction has gaps.

Accordingly, an observer who can perceive more changes will be able to identify more periods with shorter intervals and in terms of many different aspects. As time intervals of change in accounting practices are constructions and do not exist independent of the observer or the researchers, researchers should not restrict their study only to predetermined periods of change, as this would prevent them from perceiving the impermanence of organisations and accounting practices.

7.4. Construction of change and different entities

As explained in Chapter Four, the concept that time intervals do not exist independent of the observer leads to another important concept in explaining change, the construction of static entities. As mentioned in Section 4.1.1, Burns and Vaivio (2001) ask “whether change can be

studied as a distinct, observable episode, which has a beginning and an end, or whether we should approach change as an on-going phenomenon” (p. 393). Further, as discussed in Chapter Three and a key issue for Busco et al. (2007) and Quattrone and Hopper (2001) is why and how change is taking place. Accordingly, in this section I attempt to answer these questions by interpreting change as a process of constructing entities and perceiving changes to those constructed entities.

As established in Section 4.3, observers construct discrete entities owing to their inability to perceive the impermanence of a given circumstance, situation or event that appears to exist in between the time periods they identified. Similarly, as shown in the previous two sections, neither the informants nor I were able to perceive every instance of the impermanence of the organisation and its accounting practices. Thus, we created an interval in between the changes we were able to perceive. As the informants and I could not perceive the impermanence in the organisation or the accounting practices within the interval, we constructed a particular static entity of the organisation or accounting practice at the beginning and end of each interval. When those constructed entities were perceived to differ, we said that there was “a change” in the organisation or the accounting practice. Thus, we explained the observed change of the properties of the previously constructed entity relative to the current entity that we constructed (see Figure 4). However, as shown in Figures 7-9 and explained in previous sections, the frequency of observing change varies from one individual to another. Thus, the entities constructed by each individual informant and by myself do not have identical properties.

This can be illustrated using the evidence gathered in this study. Informants who observed change of accounting only before and after privatisation constructed accounting practices as pre and post-privatisation. They constructed the organisation as “the Department” and “the Company”. They did not identify any entity as “the Corporation”. A few informants were able to construct different entities of the organisation as “the Department”, “the Corporation” and “the Company”, but they did not possess adequate information to perceive changes before the organisation was privatised. For instance, no informant mentioned the separation of the postal and telecommunications functions in 1980 and the changes that occurred as a result, either because informants did not have knowledge about it or because they did not consider it to be a significant event. Thus, they could not perceive that change. Even the informants who worked in the organisation around the mid-1980s did not mention this

change and its consequences. Accordingly, I noticed that the informants did not perceive any changes in the organisation and accounting practices when it was a Department. Thus, they had a single construction of the organisation until it was transformed into a corporation. However, the knowledge that I constructed in Chapters Five and Six demonstrate that I could construct new entities of Sri Lanka Telecom, its context and accounting practices whenever I perceived a change in Sri Lanka Telecom, its context and accounting practices. For example, while informants considered there to be just one entity of the organisation as “the Department”, I had many constructions of the organisation during the period they referred to as “the Department”.

Section 4.4 establishes that because the entities constructed by individuals and their properties are different, interpretations of the change observed by individuals are also different. For example, as illustrated in Chapter Six, the preparation of commercial accounts and performance measures, such as employee and operational efficiency and cost minimisation, were not attributes of the entity that most of the informants constructed prior to privatisation. However, the entities that I constructed prior to privatisation have those attributes.

As demonstrated in Chapter Six, I was able to construct different entities of the organisation with varying properties during the period that most of the interviews claimed that the organisation did not change. For example, introduction of local language telegraph and Sinhala-English teleprinters in collaboration with Japan are changes that I perceived in 1962, which led to my development of a different entity of the organisation from that which I had just previously constructed. When I perceived the automation of the operations of the organisation in the 1970s, I constructed another entity of the organisation. Likewise, whenever I perceived a change in the properties of the entity that I constructed, I constructed another entity of the organisation. Then I interpret the reason for the change in the entity that I constructed in terms of a change I observed in another related or associated aspect of the context of the organisation. For example, I interpret the change that I perceived in the entity I constructed in 1962 in terms of the changes in the policies of the Government elected in 1956. Similarly, the change I observed in 1970s in the entity that I constructed previously was interpreted in terms of the changes that I perceived in the global telecommunications industry. However, as this information was not available to or perceived by the informants, the entity constructed by the informants during this period did not have those attributes.

Accordingly, most of the informants observed and interpreted change in Sri Lanka Telecom relative to the entity that they constructed as “the Department” or “Sri Lanka Telecom prior to privatisation” which had different attributes.

Chapter Six shows that most of my informants did not perceive change in accounting practices prior to privatisation of the organisation even though they had some knowledge about change in the context of the organisation. For example, all informants were aware of the introduction of liberal economic policies in 1977, changes in society, changes in lifestyle and transformation of the organisation into a corporation and changes in governments. Accordingly, they tended to claim that in spite of the changes in the context of the organisation and the organisation itself, the organisation’s accounting practices did not change. This is because they only constructed a different entity of the organisation and accounting practices after privatisation. They could not construct different entities of the pre-privatised organisation or accounting practices and could not see the relationship between how change in other aspects has resulted in changing the entities of the organisation and accounting practices from time to time.

However, two very senior informants, who perceived more changes than any other of my informants, claimed that privatisation of the organisation was a gradual process. They perceived the changes that took place in the 1980s in the context of the organisation, including liberalisation of the telecommunications industry in Britain, developments in technology and changes in the government policies. Thus, they constructed different entities of the organisation than those of the other informants and could see a relationship between those changes and the change in their constructed entities of the organisation.

Even though none of the informants could construct the entities that I constructed before privatisation, they constructed several entities of the organisation and in accounting practices after privatisation based on the changes they perceived as they had more knowledge about the organisation and accounting practices during that period. However, the properties of these entities were different from one informant to another, depending on the nature of the changes they perceived. For instance, informants in the Billing and Collection division perceived changes in the structure of their division and constructed different entities of the organisation and accounting practices. For example, two informants from this division claimed that the accounting controls, especially cash management, the revenue collection process and associated control procedures, and the billing process changed with the change in the

structure of the division. These informants' interpretations are relative to the entities that they constructed immediately prior to the perceived changes in the organisation and in accounting practices. However, these entities were not constructed by other employees in other divisions, especially operational employees, because they were not aware of these changes. Thus, the entities of the organisation and accounting practices the operational employees constructed at the same point in time had different properties.

In another instance, informants from the Quality Assurance division constructed an entity of the organisation after privatisation with different properties, because they had different perceptions of the change in the organisation. According to one, the organisation established a Quality Assurance division in 2002 to improve the quality of operations. She claimed that the Japanese management paid more attention to quality of work. Another senior manager asserted that quality assurance was not possible prior to privatisation because of the government administrative structure. According to these informants, quality assurance was not an attribute of the organisation prior to privatisation. However, such terms as "standard of services", "less interruptions", "less customer complaints" that were included in the Administration Reports indicate that quality of services was an important aspect of the organisation even during the colonial period. As these employees lacked knowledge about what was reported in Administration Reports, the entity they constructed prior to privatisation did not have an attribute regarding quality assurance. Meanwhile, the entities that I constructed included quality assurance practices. Accordingly, if these two informants compared the two entities that they had constructed, they perceived that quality assurance was a newly introduced accounting practice, whereas, for me, it was a change in the tool used for quality assurance. Furthermore, the entities that these informants constructed at that particular point in time were different from other informants because the other informants did not perceive changes or did not recognise that changes in terms of quality assurance were important.

Further, as mentioned in Section 7.2, because the change perceived in accounting practices varied within levels of organisational hierarchy, the organisational entities constructed by informants varied accordingly. For instance, a senior manager observed a change in the leadership style in the organisation after the appointment of the new Chief Executive Officer in 2008. This observed change resulted in him constructing a different entity of the organisation with some changed attributes compared to the entity that he had before. Thus, he

is likely to compare the attributes of the two entities he constructed. However, middle management and operational level employees did not observe this change, which caused the attributes of the organisation they constructed to be different. For example, another middle manager did not perceive the changes mentioned by the senior manager mentioned above. When comparing the accounting practices of the entities she constructed, she perceived changes at the operational level and changes in the way they reported accounting information to the top-level management, as well as changes in the performance evaluation systems. Accordingly, the entities of organisational and accounting practices that she constructed were different and did not have the attributes that the senior manager mentioned. As another example, two senior managers perceived the “transformation process” initiated in 2007 as an important event. Even though operational level employees were involved in the implementation stage of the transformation process, none of them perceived this as a significant change. Thus, the entities that the two senior managers constructed during the Sri Lanka Telecom period and the attributes of those entities were different from the entities that were constructed by most of the other informants.

As argued in Section 4.3, with assistance from the above illustrations, we can see that the number and the nature of entities constructed by each observer depend on the number of changes and the nature of the change they perceive. As the various informants at Sri Lanka Telecom and I perceived impermanence in accounting practices differently, the entities that each informant and I constructed were different from each other. This explanation of how different people construct different entities provides an opportunity to answer the question of why individuals perceive change differently raised by Burns and Scapens (2000) and Guerreiro et al. (2006). Moreover, this explanation can be used to answer the question raised by Burns and Vaivio (2001). The change explained in accounting practices is dependent upon the knowledge constructed by the observer or the researcher based upon how they perceive the impermanence of the organisation and accounting practices.

7.5. Composite change

Let us return to the concept of reductionism, which I first discussed in Section 4.1.2. In this section, I will further illustrate the importance of looking at change in the context as much as possible, as noted in Section 4.8.

As explained above, observers do not perceive impermanence in every aspect all the time. They perceive changes in one or a few aspects of the organisation and accounting practices at various point instances. Thus, they construct different entities of each aspect at different point instances. Due to differences in perceiving impermanence, the length of the intervals in between these entities are not equal and do not coincide with each other. Therefore, individuals may observe a change in one aspect in the context while not observing a change in another aspect at the same time. Due to this timing difference in perceiving change in the entities that the observers constructed, they will construct a relationship between the two closest aspects of change they perceived, as shown in Figure 4.

Similarly, as shown in Figure 11, the entities of accounting practices constructed by observers are not necessarily aligned with the different entities of the context of the organisation they constructed. As explained in Section 4.8, due to limitations in observing changes, one may perceive a change in one aspect of the context of the organisation while not perceiving a change in accounting practices. On the other hand, one may perceive a change in accounting practices while not perceiving a change in any other aspects of the context of the organisation. In other words, there might be instances where observers perceive that the organisation has remained the same while accounting practices have changed several times and vice versa. This is shown in Table 3, which is derived from the knowledge constructed in Chapters Five and Six. The time intervals in each aspect of the context of the organisation are different. According to the events presented in Table 3, we cannot observe a change in an accounting practice that immediately corresponds with a change in another aspect of the context of the organisation. If we concentrate on only one aspect of the context of the organisation, we will have further difficulties in perceiving a relationship between accounting practices and that particular aspect. This is because of the difficulties in perceiving change continuously in a given aspect that is associated with change in accounting practices. Therefore, as discussed in Section 7.1, a change that I perceived in an accounting practice is not always linked to change in a particular aspect of the organisation. In order to overcome this limitation and to get a better understanding of change in accounting practices at various point instances, I tried to observe the whole context of the organisation, so that, even if I could not perceive a change in one aspect of the context, I could perceive a change in another aspect which could explain a change in accounting practices at a given point instance.

As explained in Section 2.2, the changes in the context of the organisation that I perceived were obtained from different sources. These different sources paid attention to different aspects depending on their interests. For instance, informants tried to explain change in accounting practices in terms of a change they perceived in a particular entity in the context of the organisation. They tended to link the observed change in accounting practice to the immediate change in the entity that they constructed in the context of the organisation. Then they claimed that a particular accounting practice has changed because of a change in a given aspect of the context in which they perceived a change. For instance, as explained before, the most significant change the informants observed in the context of the organisation was privatisation of the organisation in 1997. They could not perceive changes in other aspects of the organisation, which I perceived from other sources, such as changes in heads of sections/divisions, changes in the technology used in accounting practices, changes in the telecommunications industry of the country and the world, and the changing of the chief executive officers. Thus, informants tend to claim the change in accounting practices they perceived is as a result of privatisation of the organisation.

However, when I integrated all the changes in accounting practices that they had explained to me and the information obtained by reviewing documents, I could construct a sequence of change in accounting practices that can be explained with various reasons at different point instances. Accordingly, I could construct a relationship between changes in various aspects of the context of the organisation and in accounting practices that could not be explained by informants who concentrated on only one or a few aspects. Thus, by integrating all perceived changes we can arrive at more comprehensive interpretations about change in accounting practices.

7.6. The change of a constructed entity

As demonstrated in Chapters Three and Four, many theories used in explaining change in accounting practices assume that there is a discrete entity that the observers can identify and study change within. Van de Ven and Poole (1995) claim that identification of a discrete entity of change is common characteristic of both functionalists and social constructivists. Moreover, Quattrone and Hopper (2001) claim that both social constructivists and realists assume a unique external reality. For example, Kezar (2001) claims that a key limitation in the evolutionary approaches is that they are mathematically derived and assume there is an objective reality independent of the observer/researcher. As discussed in Chapter Four, the

assumption of reality has led to the difficulties in explaining change, such as the problem discussed in Section 7.2, that individuals perceive change differently. In this section, by applying the concepts discussed in Chapter Four, I argue that the entity that observers perceive as changing is what they constructed and there is no entity existing independent of the observer.

As discussed in Chapter Four, everything that we perceive, including organisations, are impermanent. We have already illustrated in the previous sections that any identifiable entity is a construction of the individual, due to their inability to perceive this continuous change process. For instance, most of the informants constructed a few significant entities of the organisation, a Department, a Corporation and a Company, whereas I could construct more different entities of the organisation, subject to the change I perceived.

Section 4.5 and the evidence presented in Chapter Six indicate that the properties of an entity constructed by an individual are not independent of the observer. As illustrated in Chapter Six, informants constructed their own entities depending on the observations they made and attempted to interpret the change in those entities. For instance, the reason for most of the informants claiming that accounting practices were not used during the department period is because accounting practices were not a property of the entity that they constructed. However, the entities that I constructed were consistent with the various accounting practices that I observed as changing. That is, as explained before, there is no entity that exists independent of the observer. This is in contrast to many theories explaining change in organisations which assume a discrete identity and that researchers can decompose or aggregate those levels to understand the organisation (Van de Ven & Poole, 1995).

As I have illustrated, the entities of the context of the organisation or accounting practices are constructions of observers and they do not exist independent of the observer. As shown in the previous sections, one entity constructed by an individual is different from another entity constructed by someone else. When individuals perceive a change in the entities they constructed, they tend to claim that a change has occurred in what they have constructed. Therefore, the meaning that individuals attach to change is relative to the entities that they constructed. Thus, interpretations of changes are relative to the constructed entity of the observer.

Similar to the examples from *The Questions of King Milinda* (2003) in Section 4.4, when an individual perceives a change in the constructed entity, a new entity of the organisation is constructed. Thereafter, when he perceives another change in the second entity, the previously constructed entity decays and another entity is constructed by the observer. However, as observers construct these entities based on an initial entity with some alterations, the observer's newly constructed entity carries some attributes of the former construction. For instance, the organisation that I constructed provided telegraphic services at the beginning. I observe that the same service continued for some time until it introduced telephone services, which I perceive as an improved alternative for long distance communication. Meanwhile, I observed that other aspects of the organisation changed, such as its employees and the number or nature of its subscribers/customers. Thus, if we consider the period between provision of telegraphic services and introduction of telephone services, we can perceive that the organisation has taken different forms with some attributes passing onto the successive entities. Thus, at any given two points in time, the perceived change is relative to the properties of the constructed entities at those two points.

Thus, the change of an organisation or accounting practice is a process of continuous construction of different entities by observers. For instance, most of the informants had a perception about the organisation as a Department and associated attributes. When informants perceive a difference in the entity they constructed, they constructed a new, different entity called "Corporation" or "Company", and they believe the previously constructed entities of "Department" has disappeared. However, it is important to remember that even the entities "Department", "Corporation" and "Company" and the meanings assigned by individual informants were different.

Furthermore, from this discussion we can see that it is possible that when an observer claims there has been no change in a given aspect, it does not mean that there was no change. It most likely means that the observer has not perceived a change in the entity that he constructed. For example, most of my informants claimed that accounting practices of the Department did not change. That is, they could not perceive change in the entity that they constructed as "the Department". In contrast, I could construct several entities with different accounting practices during the period other informants claimed as the single Department entity. As a result, we can see that there is no absolute entity subject to change or not changing.

Thus, we can answer the question of what is changing. It is the entities constructed by individuals that change and no entity exists independent of the observer. Therefore, a researcher cannot arrive at an absolute explanation of change about an organisation or an accounting practice. Rather, researchers can study differences in perceived change by different observers and how each individual perceives change in accounting practices. This course of action is in contrast to deriving generalised factors of change as presented in Table 1. Ultimately, interpretations given by another researcher about Sri Lanka Telecom will be relative to his perceptions and will be different from the change that I perceived in this study.

7.7. Summary

In this chapter I reviewed the nature of change in accounting practices I perceived in Sri Lanka Telecom using the framework presented in Chapter Four. I have used the framework to explain the reasons for some of the limitations raised in the past literature. I have presented my explanation in six sections, leading to the six arguments below.

First, I explained why we cannot identify a limited number of factors as the causes of change. If we look at the change in accounting practices from only one or a few predetermined aspects of change, then we would only partially understand the change process and provide misleading interpretations. The evidence of this study indicates that different informants perceive change differently based on their knowledge, interests and experiences and that they constructed their knowledge to explain change in accounting practices differently. Second, I noted that the reason for differences in the behaviour of individuals or organisations is because they perceive changes differently under a given circumstance. Even though a researcher may perceive a given circumstance as similar for everyone, each individual may perceive the circumstances quite differently. Third, I described how we construct periods of change. Due to our limited ability to observe a continuous change process, individuals construct an interval between two observations of change. The length of the interval varies with the observers' ability to perceive frequent changes in the context. The periods constructed by informants in this study had long intervals, while the periods that I identified were shorter because I could perceive more changes in various aspects of the context of the organisation. The intervals in different aspects of the organisation and accounting practices did not have similar lengths, as informants and I observed change in those aspects at different points of time. Fourth, I explained how observers construct different entities of the organisation and accounting practices. As observers do not perceive a change during the time

interval they constructed, they assume that the organisation or accounting practices have not been changing in that particular interval. Thus, observers construct a static entity at the end points of the interval. Due to the limitations of observations, individuals assume the entities they constructed do not change between constructions. However, because the entities regarding the context of the organisation and accounting practices are based on individuals' observations, attributes of these entities are different from one observer to another. Fifth, I showed that, owing to individuals' limitations in perceiving impermanence, observers perceive only a limited number of changes. Thus, it is important to integrate all changes perceived in various aspects of the organisation in order to arrive at a more comprehensive interpretation about change in accounting practices. Sixth, I explained that what individuals perceive as change is the impermanence of the entities that each observer constructed. As any entity is a construction of the observer, researchers cannot study the change of an organisation or its accounting practices that exist independent of the observer.

Chapter 8

Conclusion

This is the final chapter in my attempt to explain change in accounting practices in terms of the concept of impermanence. I have taken a perspective that is different from extant theories. This study was inspired by the calls for a new approach to study change in accounting practices (Busco et al., 2007; Quattrone & Hopper, 2001). Particularly, Busco et al. raised the importance of a new perspective to study the nature of accounting change with different ontological and epistemological assumptions. Accordingly, this study adds a new interpretation to the current literature on change to accounting practices, one based upon the concept of impermanence. Taking an approach that does not believe in a reality that exists independent of the observer enabled me to provide answers to some questions raised in the past, “what change is” (Busco et al., Quattrone & Hopper) and “why individuals perceive change differently and act differently” (Burns & Scapens, 2000; Guerreiro et al., 2006). I have explained change as the observation of variances in the properties of entities constructed by observers, owing to observers’ limitations in perceiving impermanence of accounting practices and organisations. As the properties of constructed entities vary among observers, individuals perceive change in accounting practices and organisations differently. Methodological assumptions of extant accounting change studies limit the ability of those approaches to explain the nature of change and answer the questions of what change is and why individuals perceive change differently and act differently. Therefore, my study has taken a different approach to clarify the nature of change based upon a different methodological approach that believes any static entity that appears to exist is a construction of the observer, which is constructed depending on the observer’s ability to perceive the impermanence.

I begin by summarising the objective of the study and reflecting on the methodological assumptions applied. Then I turn to an evaluation of the methods applied. Next, I present the findings of the study and its contribution to the current literature on accounting change. Then I discuss the limitations of the assumptions and concepts used in this study and potential alternative approaches that could be used in providing answers to research questions related to accounting change. Finally, I put forward future research directions based on the findings of this study.

8.1. Reflection about philosophy

I founded my study on understanding the nature of change, particularly, what change is and why individuals perceive change differently. These are two questions raised by researchers as requiring further inquiries (Burns & Scapens, 2000; Busco et al., 2007; Guerreiro et al., 2006; Quattrone & Hopper, 2001). As established in Chapters Three and Four, I found that application of the methodological assumption of a reality that exists independent of the observer, a common assumption in the approaches that have been used in accounting research, has created difficulties in reaching comprehensive answers to these questions. My objective was to develop a new framework to explain the nature of change based upon my methodological assumptions that are different from the assumptions that the extant studies rely upon. My underlying assumptions are that no real world exists independent of the observer and that knowledge about the world is a construction of the observer. Based on these assumptions, I decided to apply the concept of impermanence to develop the theoretical framework used in this study for interpreting the nature of change. I considered that individuals construct static entities, depending upon their interests, experiences, knowledge and priorities, in order to perceive the impermanence of organisations and accounting practices. Using the concept of impermanence, I clarified that what individuals observe as changing is the variance of the properties of the observer's constructed entity. As these constructions vary from one observer to another, individuals perceive change in accounting practices differently. The application of ontological and epistemological assumptions drawn from Buddhist philosophy were important in understanding the nature of change and constructing answers to the questions of what change is and why individuals perceive change differently.

My assumption that individuals construct static entities depending upon how they perceive the continuous process of emergence and decline of any object, circumstance, situation or event that appears to exist (impermanence), subject to their interests, priorities, experiences and knowledge, is the basis of my claim that there is no entity undergoing change that is independent of the observer. This assumption was important to developing my interpretation of change for the following four reasons.

First, this concept shows why the entities of Sri Lanka Telecom and accounting practices that I constructed were different from those of the informants in general and why the entities that different informants constructed consisted of varying attributes. As individuals construct their

own static entities with varying attributes, I demonstrated that individuals can only observe change of the properties of the entity that they constructed. This concept provided support for my explanation of why I myself and my informants perceived change differently. Accordingly, by applying my methodological assumptions, I explained why different observers interpret change to accounting practices differently, a question raised by Burns and Scapens (2000) and Guerreiro et al. (2006). Answering this question was problematic when applying extant theories that rely upon a reality that exists independent of the observer.

Second, the concept of continuous emergence and decline of any object, circumstance, situation or event that appears to exist supports my explanation of how a constructed static entity changes to another entity with different properties at another point in time. Many extant studies assume a static entity that exists independent of the observer and changes to another entity because of the drivers of changes identified in each approach (Burns & Vaivio, 2001). However, I established that such explanations could not be applied to the changes that I observed in Sri Lanka Telecom and its accounting practices. In contrast, my interpretation is that individuals construct various entities at different point instances with varying properties (Figures 7-9) depending upon their ability to perceive the impermanence process, and compare those constructed entities saying that observed different properties are a “change”. Using this concept I clarified that an observer’s interpretation regarding change of an organisation or an accounting practice is relative to the entities that he constructed, which also explains why individuals perceive change differently.

Third, the concept of impermanence helped me to identify another problematic assumption of the current approaches in explaining change, that is, that organisations evolve over time (Lester & Parnell, 2008). I found that this assumption leads to limiting current studies (e.g., Silvola, 2008b; Wickramasinghe & Hopper, 2005) into predetermined periods of change defined by their observed starting and ending points and ignoring what has happened in between the two points in time. In contrast, in this study I argued that observers construct the concept of time and construct periods of change subject to how each observer perceives changes in the properties of the constructed entities. Various time intervals I identified in Chapter Five in presenting the changes perceived in different aspects of the context of Sri Lanka Telecom and Chapter Six in presenting the change perceived in accounting practices show how an observer constructs time intervals subject to perceiving impermanence of organisations and accounting practices. Based upon this concept, I collected a relatively

comprehensive set of empirical materials rather than limiting the evidence to predetermined periods of time. Thus, I was able to perceive more changes in accounting practices with relatively shorter intervals resulting in a more comprehensive interpretation of impermanence of accounting practices of Sri Lanka Telecom (see Table 13).

Fourth, my assumption of knowledge about change being subject to how individuals perceive impermanence of organisations and accounting practices inspired me to collect empirical material about Sri Lanka Telecom, its context and accounting practices as much as possible without limiting my study to only a few predetermined drivers of change. As shown in Chapter Six, the wealth of empirical material allowed me to interpret the change that I perceived in accounting practices of Sri Lanka Telecom comprehensively. Further, my assumption that knowledge is a construction of individuals inspired me to collect evidence of change from various different perspectives from which I could construct my own knowledge with much fewer gaps.

In conclusion, my methodological assumptions that observers construct static entities and knowledge about the world that appear to exist enabled me to illustrate the nature of change, as called for by Busco et al. (2007). I applied my methodological assumptions to show that the knowledge constructed about change in accounting practices of Sri Lanka Telecom was relative to the static entities constructed by each individual. I explained the reason for differences in the knowledge and interpretations of constructed changes in accounting practices by individuals. I argued that what is subject to change is the entity constructed by each observer and as each observer's construction was different, they perceive change differently.

8.2. Reflection about methods

For my methodological assumptions, an in-depth case study method was the most appropriate method to study change in accounting practices (Burns & Scapens, 2000). Particularly, as discussed in Chapter Two, a longitudinal case study was important for studying change in accounting practices. Studying the perceived change of Sri Lanka Telecom, its context and accounting practices over more than 150 years helped me to understand and explain unique circumstances, inconsistencies and the diversity of the applications of accounting practices (Chetty, 1996; Davila & Oyon, 2008; Modell, 2005; Scapens, 2006). Reviewing documents and conducting interviews in order to obtain evidence for the entire period that is applicable

to this study was key to my ability to construct knowledge about Sri Lanka Telecom, its context and its accounting practices and to demonstrate that knowledge about change is a construction of the observer. Reviewing both historical and contemporary documents was important in order to observe changes from different perspectives and to collect evidence about changes that were not perceived by most of the informants. Conducting more than 50 interviews with employees in different divisions, different levels of the organisational hierarchy and working during different periods provided evidence of how different people construct their own “realities” of the organisation and its accounting practices and perceive change differently in relation to those constructions. A few interviews conducted at another telecommunications company provided evidence of different applications of accounting practices although I perceived the current industry context to be the same for both companies. However, there is a difference in the nature of my knowledge constructed about accounting practices up to the 1990s and the period after that. My knowledge about the period after the 1990s consisted of how accounting is practised and the types of records maintained at Sri Lanka Telecom whereas the period before the 1990s lacks this everyday practice component. This is due to my knowledge about the period before the 1990s being mainly based upon documentary evidence, comprising only the reports produced, whereas the informants who provided information about the period after the 1990s were aware of how accounting is practised as well as the nature of records produced.

As discussed in Chapter Two, if I had limited my study to a shorter period, I would not have been able to perceive the changing context of various aspects of the organisation over its whole lifetime, such as the aspects that have endured from the Colonial Department period, the implications of global trends in the telecommunications industry during the 1980s, changes in technology throughout its history and recent changes in the legal and commercial form of ownership and management of Sri Lanka Telecom.

Furthermore, my approach to collecting and presenting empirical evidence enabled me to perceive impermanence of Sri Lanka Telecom, its context and accounting practices as much as possible. Instead of limiting evidence collection to matters relevant to predetermined themes (Ryan & Bernard, 2003) and periods, I identified the themes and constructed the time periods based upon the collected evidence. This approach enabled me to construct a relatively comprehensive knowledge about impermanence of accounting practices of Sri Lanka

Telecom. Furthermore, I was able to identify how and why different informants constructed different periods of time and interpreted change in accounting practices differently.

In conclusion, research methods applied in this study helped me in several ways to answer the research problems. First, the time frame considered, more than 150 years since the inception of Sri Lanka Telecom, was important to illustrate how different observers construct different static entities subject to their knowledge, experiences and interests. If I had limited my study to a specific predetermined period of time, I would not have been able to perceive how different informants construct various entities and provide various interpretations as reasons for change in accounting practices at different point instances. Second, the various sources of evidence helped me to illustrate how different individuals construct knowledge about change in accounting practices differently. Third, collection of empirical material regarding the context of Sri Lanka Telecom without limiting myself to predetermined themes helped me to perceive impermanence of Sri Lanka Telecom and construct my knowledge about change in accounting practices relatively comprehensively.

8.3. Findings and contribution of the study

In this section I conclude the findings of this study, providing the answers to the two key questions raised in extant studies on accounting change. The findings of this study add to our knowledge of accounting change by answering the questions of what change is and why individuals perceive change differently. The findings of this study are presented in six aspects as follows.

First, the findings of this study demonstrate that it is not possible to identify only one or a few reasons that exist independent of the observer as drivers of change in accounting practices (Section 7.1). In Chapter Six I have shown that different observers identify different reasons as causes of change in accounting practices depending on their knowledge, interests and experiences. Based on the evidence collected about Sri Lanka Telecom and its context over a long period of time, in Chapter Six I have identified various reasons, such as change in the ownership, organisational structure, the technology used, providers of funds, the educational background of employees, developments in the global telecommunications industry, developments in the telecommunications industry of Sri Lanka and change in government policies, all of which were factors in changing accounting practices at various points in time. As discussed in Sections 4.1 and 4.8, when researcher focus on a few selected aspects of

change, they will not observe or may even ignore the impact of other aspects of the context of the organisation leading to circumscribed interpretations. Moreover, I have demonstrated that a change in a particular aspect of the organisation or its context does not always result in changing accounting practices. Based on the evidence presented in Chapter Six and discussed in Chapter Seven, we now realise that the reasons for change in accounting practices at different point instances varied with the observers' knowledge about the context of Sri Lanka Telecom. Thus, I established the importance of understanding the meanings the observer attaches to each factor under different settings, rather than merely listing factors as causes of change (Collins, 1998; Jayasinghe & Wickramasinghe, 2007; Preston, 1992).

Second, I have confirmed why different individuals perceive change in accounting practices differently and also act differently (Section 7.2), a question raised by Burns and Scapens (2000) and Guerreiro et al. (2006). Based upon my methodological assumption of knowledge as a construction of the observer, the illustrations presented in the Section 4.2 and 4.7 are the basis for explaining why individuals perceive change differently. My knowledge constructed in Chapter Six indicates that the perceptions regarding change in accounting practices of the informants in general, of informants in different divisions and of informants in different positions in the organisational hierarchy and my own perceptions were very different. As discussed in Chapter Seven, the change perceived in accounting practices by any observer is subject to the knowledge constructed about the organisation and its context according to each observer's perceptions, interests and experiences. As the knowledge constructed about the organisation and its context varied among each observer, the change perceived in accounting practices and the meanings attached to those changes were also different among them. Therefore, I have demonstrated that a researcher cannot identify an absolute cause for change in accounting practices that is independent of the observer.

Third, in contrast to the assumption of the change of a discrete entity applied in many extant studies (Burns & Vaivo, 2001; Quattrone & Hopper, 2001), I have explained how organisations and accounting practices are continuously changing and do not have a permanent existence. I used the illustration presented in Section 4.3, 4.4 and 4.5, derived from my methodological assumption of no reality existing independent of the observer, to explain the nature of perceived changes. Applying the same concept, I have demonstrated that observers construct periods of change (Section 7.3), based on how observers perceive the impermanence of accounting practices and the level of significance they attached to each

observation based on their knowledge, interests and experiences. As observations are dependent on individuals, these constructed periods vary from one observer to another. If a researcher observes change only at two predetermined points, based on a change of a particular aspect of the organisation or its context, they will ignore changes perceived by other observers or changes in other aspects of the organisation within the predetermined interval, and assume that the organisation or accounting practices remained static between the points (Section 4.6). Thus, I established why it is important to understand the continuous change process and identify as many change events as possible in order to arrive at the most comprehensive explanation, rather than limiting a study to predefined stages of change.

Fourth, I explained how and why change is taking place (Section 7.4). As illustrated in Figures 7, 8 and 9, depending on each individual's ability to perceive the impermanence of any object, circumstance, situation or event that appears to exist, they construct various entities in between the observed time points. Thus, the entity of an organisation or an accounting practice perceived by one person at a given time is not the same organisation or accounting practice that was perceived by another. Observers construct their knowledge about the change of an entity when they perceive a change in the properties of two consecutive entities that they constructed in between the intervals of observations. Thus, the knowledge that observers construct about a change of an entity is always relative to the properties of the entity previously constructed by the observer. As properties of the constructed entities are subject to the observer's perceptions, the knowledge they construct about change vary among observers. This explains the differences in the change perceived in accounting practices by different individuals.

Fifth, I have established the importance of studying changes in as many aspects of the context of the organisation as possible in order to minimise the limitations involved in perceiving the impermanence of an organisation, its context and accounting practices, and timing differences of observations (Sections 4.8 and 7.5). By integrating the observations of many aspects of the organisation, rather than studying changes in one or a few aspects of change, we can arrive at a relatively comprehensive explanation for change in accounting practices.

Sixth, I have demonstrated that, in contrast to previous studies, individuals perceive the change of entities that they constructed and therefore, researchers cannot study change of organisations or accounting practices that exist independent of the observer. As observers perceive change of their own constructed entities according to their knowledge, interests and

experiences, they perceive change differently and act accordingly. Thus, researchers should not attempt to limit their studies to predetermined factors of change that exist independent of the observer.

In conclusion, the findings of this study show that what individuals perceive as changing is the different entities that they have constructed subject to their knowledge, experiences and interests. This is in contrast to studying accounting practices of an existing organisation that is independent of the researcher. This finding helped me to explain the reason for individuals perceiving changes differently. As individuals construct different entities with varying attributes and observe change of those constructed entities, the change they perceive in those entities is also different. Accordingly, findings of this study provide a new interpretation and add knowledge to the current literature on change in accounting practices by answering the two questions of what change is and why individuals perceive changes differently.

8.4. Statement of limitations

As discussed in Section 3.3, in spite of the adequacy of the methodological assumptions and the concepts applied when answering the two major questions addressed in this study, those concepts may have limited application in providing answers to other aspects of accounting change. In this section I discuss the limitations of the concepts used in this study and assess the possibility of applying alternative approaches, such as those mentioned in Section 3.3, in order to provide further answers to research questions related to accounting change.

With regard to how theories can be used to understand accounting and organisational change, Broadbent and Laughlin (2005) claim that theoretical synthesis is not possible owing to the different epistemological positions of each theory. They note that different research approaches provide answers to different questions. The purpose of my study was to develop a framework that could provide answers to two specific questions: (1) what is change? and (2) why do different individuals perceive change differently? Thus, the methodological assumptions applied in this study may not always be appropriate to provide answers to other questions related to change in organisations and accounting.

As discussed in Section 3.3, application of theories such as phenomenology, situational analysis and structuration theory would facilitate better understanding of accounting change, particularly aspects related to practical implications, which were not covered in this study.

The concepts of impermanence and *anatta* used in my study do not consider the role of accounting practitioners in the implementation stage of change. As discussed in Section 3.3, Smith-Blair et al. (1999) claim a phenomenological approach is more relevant in assessing the level of effectiveness of implementing change programmes in organisations. They claim that accounting practitioners would find it more useful to know if there is a relationship between staff's experience and improved results and to understand how individuals (employees) experience the implementation of a change process compared with the outcome intended by the designers of the change process. In addition, as discussed in Section 3.3, the assumption of an existing reality can effectively be applied in understanding the nature of accounting change, owing to limitations in the cognition of observers (Siderits, 2011). In this regard the practical application of the framework presented in this study may be limited.

Furthermore, as discussed by Burger (2013) and Hergenhahn (1997) (Section 3.3), a phenomenological approach has strengths in studying how individuals exercise their authority in making decisions and introducing changes to the context with which the individuals are associated. My study did not consider the implications of human agency in change in accounting practices. Accordingly, integrating a phenomenological approach with the interpretation provided in this study could provide an improved explanation of individuals' involvement in accounting change. Moreover, as claimed by Busco et al. (2007) and Macintosh and Scapens (1990) (Section 3.3), extending my study into analysing the implications of human agency in change in accounting practices by integrating the concepts of impermanence and structuration theory could improve the practical relevance of this study.

Another limitation of this study is that I did not discuss why some informants constructed their knowledge about change in accounting practices at Sri Lanka Telecom similarly. As illustrated in Chapter Six, as well as observing differences in how informants at Sri Lanka Telecom perceived change in accounting practices, I also observed some commonly shared perceptions among informants. For example, several informants had a positive perception of the privatisation process of Sri Lanka Telecom Corporation, and it seemed that some employees had constructed a common reality with the implementers of the change process. On the other hand, the negative perceptions regarding the newly introduced employee performance evaluation process is an example of the perception of some employees contradicting that of the decision makers in the top positions of the organisational hierarchy. Thus, an analysis of similarities in individual experiences in introducing new accounting

practices could have provided insights to the decision makers at Sri Lanka Telecom. The framework that I applied in this study did not attempt to study the implications of such differences and similarities of perceptions of employees at the implementation stage of the change processes. A phenomenological approach could have ascertained common meanings among individuals as well as differences between implementers of change processes and employees with regard to particular changes (Smith-Blair et al., 1999), ultimately facilitating successful implementation of change programmes. Smith-Blair et al. claim that such a research approach would enable an interactive involvement of both the researcher and the individuals being researched.

As discussed in Section 3.3, the matrix introduced by Clarke (see Figure 3) highlights the importance of identifying all key elements in a given situation. Although I found Clarke's model limited in interpreting the nature of change, given the strengths of situational analysis in analysing the situation as a whole and the examination of distinctions made from the perspectives of different actors, her model could complement the framework developed in this study.

Given the volume of organisational change studies, in the literature review chapter of this study I paid attention to organisational theories that have been used in accounting change studies. Thus, my evaluation of extant theories was restricted to a limited number of organisational theories and did not discuss in detail the applicability of critical social theories that take a methodological position closer to mine. As discussed above, in this thesis I did not cover certain aspects that are related to accounting change. My interpretation of the nature of change provides insights to theorists but may have limited applicability for practitioners. Therefore, I believe that future studies that integrate other social theories as discussed in Section 3.3 that are close to the Buddhist philosophy or aspects of consciousness in the Buddhist philosophy with the concept of impermanence could add value to the current literature on accounting change. In spite of differences in methodological assumptions between other social theories and the Buddhist philosophical assumptions espoused in this thesis, such analysis could be useful for accounting practitioners in decision making and in implementing change in accounting practices.

8.5. Future research

This study was carried out in response to the calls made by past researchers to review the methodological assumptions applied in studies of accounting change. The findings of this study show that revisiting the methodological assumptions of accounting change studies is important to provide new insights to our knowledge of changes to organisations and accounting practices. Thus, my suggestions for further research highlight the importance of re-considering the methodological assumptions that are applied in this study and the assumptions of extant studies.

The methodological assumptions of past research on accounting change created difficulties in explaining why individuals perceive change differently (Burns & Scapens, 2000; Guerreiro et al., 2006). Thus, the concept introduced in this study, that what we perceive as change is the impermanence of realities constructed by different individuals, could be used as a framework to further study change in accounting practices. Particularly, this concept can be used to explain how different individuals may perceive a given change in organisations and accounting practices and why individuals act differently.

There have been calls for further research taking different approach on accounting change in the past (Broadbent & Laughlin, 2005; Busco et al., 2007; Quattrone & Hopper, 2001). This study introduced a different approach based upon an aspect of Buddhist philosophy. Future research on accounting change based upon different philosophies would enhance our knowledge about accounting change and application of accounting practices in different organisational settings. Furthermore, as discussed in Section 8.4, the potential for further research that integrates social theories that are close to the Buddhist philosophy with the concepts introduced in this study should be evaluated. It is expected that such research could contribute practical implications of change in accounting practices.

Burns and Vaivio (2001) discussed the importance of understanding change in accounting practices because organisations are experiencing significant changes with the rapid changes in the context in which organisations are operating, particularly in the technology industries. Thus, further research could be conducted to investigate how the concepts introduced in this study could be applied or what modifications could be introduced to the framework used in this study in introducing new accounting practices to organisations. Particularly, further research could be carried out to see how the concept of construction of different realities by

individuals and perceiving change of those constructed realities differently could be used in managing conflicts among individuals owing to difference in perceptions.

In conclusion, my departure from the traditional methodological assumptions that the extant studies are based upon enabled me to establish an alternative interpretation for accounting change. I believe the interpretation established in this study of the nature of change provided new insights to enhance our knowledge of what change is and why individuals perceive change differently, two significant questions that past researchers put forward.

Appendix 1 List of Empirical Materials

AA+ for Good Track Record. (2000, February 06). *The Sunday Times Business*, pp. 8-9.

Adikari, A. M. S. (1991, May 13). Restructuring of the Telecommunications Services, *Daily News*, p. 6.

Administration Report 1872-73 - Ceylon Telegraph Department. (1873) *Administration Report of the Ceylon Division*. Colombo.

Administration Report of the Acting Postmaster-General and Director of Telegraphs. (1919) *Ceylon Administration Report for 1919 - Posts and Telegraphs*. Colombo.

Administration Report of the Acting Postmaster-General and Director of Telegraphs. (1921) *Ceylon Administration Reports for 1920 - Posts and Telegraphs*. Colombo.

Administration Report of the Postmaster-General and Director of Telecommunications for 1964-65. (1958) *Ceylon Administration Reports for 1956-57 - Posts and Telecommunications*. Colombo.

Administration Report of the Postmaster-General and Director of Telecommunications for 1964-65. (1966). Colombo.

Administration Report of the Postmaster-General and Director of Telecommunications for 1967-68. (1970). Colombo.

Administration Report of the Postmaster-General and Director of Telegraphs. (1914) *Ceylon Administration Reports for 1914 - Posts and Telegraphs*. Colombo.

Administration Report of the Postmaster-General and Director of Telegraphs. (1922) *Ceylon Administration Report for 1921 - Posts and Telegraphs*. Colombo.

Administration Report of the Postmaster-General and Director of Telegraphs. (1926) *Ceylon Administration Reports for 1926 - Posts and Telegraphs*. Colombo.

Administration Report of the Postmaster-General and Director of Telegraphs. (1931) *Ceylon Administration Reports for 1930 - Posts and Telegraphs*. Colombo.

Administration Report of the Postmaster-General and Director of Telegraphs. (1932) *Ceylon*

- Administration Reports for 1931 - Posts and Telegraphs*. Colombo.
- Administration Report of the Postmaster-General and Director of Telegraphs. (1936) *Ceylon Administration Reports for 1935 - Posts and Telegraphs*. Colombo.
- Administration Report of the Postmaster-General and Director of Telegraphs. (1937) *Ceylon Administration Reports for 1936 - Posts and Telegraphs*. Colombo.
- Aitken Spence PLC. (2012). *About Us*. Retrieved from http://www.aitkenspence.com/about_us/hotels_logistics_power_sri_lanka.asp
- Aldaba, A. M. (2000). *Opening up the Philippine Telecommunications Industry to Competition*. Retrieved from <http://economics.fizteh.ru/articles/management/competition/philippines1-arpel3voc20>
- Amarasinghe, N. (1997, April). Electronic Commerce. *Business Today*, 1(12), 25-30.
- Asian Development Bank. (1997). Subregional Telecommunications Sector Study Final Report: Asian Development Bank.
- Asian Development Bank (2009). Asian Development Bank & Sri Lanka, Fact sheet (April, p. 4).
- Balasooriya, A. F. (2008). Market-based Approach and Industry Regulation: The Case of Sri Lanka Telecom Industry. *TMC Academic Journal*, 3(2), 7-19.
- Bernard, K. (2008, September). Leading Sri Lanka in the Global Front. *Business Today*, 13(5), 26-30.
- Blaze, L. E. (2008). *The Story of Lanka*. New Delhi: Asian Educational Services.
- Blue Book - Colony of Ceylon. (1857).
- Blue Book - Colony of Ceylon. (1858).
- Boestel, J., & Wickremasinghe, N. H. (2008). Asian Development Outlook 2008 (pp. 188-193).
- Britannica Online Encyclopaedia. *Economy. Background Notes on Countries of the World:*

- Democratic Socialist Republic of Sri Lanka, September 2004* Retrieved from <http://www.britannica.com/bps/additionalcontent/18/15378456/ECONOMY>
- Bureau of Public Affairs. (2009, July 2009). *US Department of State*. Retrieved from <http://www.state.gov/r/pa/ei/bgn/5249.htm>
- Cargills (Ceylon) PLC. (2012). *Our History*. Retrieved from <http://www.cargillsceylon.com/AboutUs/OurHistory.aspx>
- Central Bank of Sri Lanka. (2005a). Key Socio Economic Indicators for Sri Lanka 1953 - 2003/04. Colombo: Central Bank of Sri Lanka.
- Central Bank of Sri Lanka. (2005b) Key Socio Economic Indicators by Districts 2003/04. Colombo: Central Bank of Sri Lanka.
- Central Bank of Sri Lanka. (1998). *Economic Progress of Independent Sri Lanka*. Colombo: Central Bank of Sri Lanka.
- Central Bank of Sri Lanka. (2003/04a). Monthly Per Capita Consumption and Expenditure by Item under Major COICOP Categories. Colombo: Central Bank of Sri Lanka.
- Central Bank of Sri Lanka. (2003/04b). Summary Statistics for Comparison of Key Variables between 1996/97 and 2003/04. Colombo: Central Bank of Sri Lanka.
- Central Bank of Sri Lanka. (2006, 07.04.2010). *Recent Economic Developments*. Retrieved from http://www.cbsl.gov.lk/pics_n_docs/10_pub/_docs/efr/recent_economic_development/RED2006-07/RED06_Start.pdf
- Central Bank of Sri Lanka. (2006). Annual Report. Colombo.
- Central Bank of Sri Lanka. (2009). Sri Lanka New Development Strategy. Colombo.
- Central Bank of Sri Lanka. (2010). The Summary of the Annual Report of the Central Bank of Sri Lanka for the Year 2009 (E. R. Department, Trans.). Colombo.
- Ceylon Blue Book for the Year 1869. (1870).
- Ceylon Manual. (1912 - 1913).

- Ceylon Telegraphic Department. (1880) *Correspondence Relating to Telegraphic Communication Between Ceylon and India*. Colombo.
- Ceylon Telegraphs Bill. (1908) *Report of a Sub-Committee of the Legislative Council appointed to report upon the Bill Intituled "An Ordinance relating to the Ceylon Telegraphs"*. Colombo.
- Codrington, H. W. (1939). *A Short History of Ceylon*. London: Macmillan and Company.
- Colecchia, A., & Schreyer, P. (2002). The Contribution of Information and Communication Technologies to Economic Growth in Nine OECD Countries. *OECD Economic Studies*, 34, 153-172
- Communications Forum Promotes Sri Lankan Telco Industry. (2009, April 12). *Sunday Times*. Retrieved from <http://www.sundaytimes.lk/090412/FinancialTimes/ft310.html>
- Communications in Sri Lanka. (1.12.2003). Retrieved from <http://www.postcolonialweb.org/southasia/srilanka/science/communications1.html>
- Corey, K. E. (1996). Development in Sri Lanka : A model for Counter Urbanization Policies and Planning. In P. A. Groves (Ed.), *Economic Development and Social Change in Sri Lanka: A Social and Policy Analysis*. New Delhi: Manohar.
- David, K. (2007, February 25). Telecommuting: Time for Sri Lanka to Make a Start, *Sunday Island*, p. 12.
- David, K. (2007, September 02). The Great Telephone Tariff Rip-off, *Sunday Island*, p. 14.
- De Alwis, P. (1988, August 25). Janatha Aythiyen Samuganna Viduli Sandesha Sewaya, *Divaina*, p. 6.
- De Silva, C. (2009, November 25). Sri Lanka's Telecommunication Industry Second to None - TRC DG, *Daily News*. Retrieved from <http://www.dailynews.lk/2009/11/25/bus01.asp>
- De Silva, C. R. (1953). *Ceylon Under the British Occupation* (Vol. One). Colombo: The Colombo Apothecaries' Co.
- De Silva, C. R. (1962). *Ceylon Under the British Occupation* (Vol. Two). Colombo: The

Colombo Apothecaries' Co.

Department of Census and Statistics. (2009). Computer Literacy in Sri Lanka, 2009. *I*(1), 4.
Retrieved from http://www.statistics.gov.lk/CLS/BuletinComputerLiteracy_2009.pdf

Department of Census and Statistics. (No Date, 2012. March 12). *Social Conditions of Sri Lanka*. Retrieved from <http://www.statistics.gov.lk/social/social%20conditions.pdf>

Deshapriya, J. (1989, October 10). Viduli Sandesha Departhamenthuwa Padu Labanne Ey?, *Divaina*, p. 6.

Fernando, R. (1990, March 13). Telecom Plans Data Network for Sri Lanka, *The Island*, p. 6.

Fernando, V. M. (2008). *60 Vasaraka Sri Lanka Aarthikaya*. Colombo: Author.

Groves, P. A. (1996). Urbanization and Migration: Patterns and Processes In P. A. Groves (Ed.), *Economic Development and Social Change in Sri Lanka: A Social and Policy Analysis*. New Delhi: Manohar.

Guide to the English Documents in the Archives 1796 - 1885. (No Date) (Vol. 1).

Gunasekara, A. d. Z. (1991, April 12). Conclusion: Institutional changes...Telecom's Future, *Daily News*, p. 4.

Gunasekara, A. d. Z. (1991, April 10). Institutional Changes in the Telecommunication Sector, *The Island*, pp. 12-13.

Gunasekara, A. d. Z. (1999, January 18). The Imperative of Tri-partism in Telecom Management, *The Island*, p. 10.

Gunasekara, R. (1997, December). Privatization Brings Radical Reforms. *Business Today*, 2(8), 29.

Gunawardana, M. (2007). *Making the Connection - SLT and 150 Years of Telecommunications in Sri Lanka*. Colombo: SLT.

Haacker, M. (2010). ICT Equipment Investment and Growth in Low- and Lower-Middle-Income Countries. *Working Paper*. Retrieved from <http://www.imf.org/external/pubs/ft/wp/2010/wp1066.pdf>

- Håkansson, H., & Lind, J. (2004). Accounting and Network Coordination. *Accounting, Organizations and Society*, 29, 51-72.
- Inoon, A., & Nanayakkara, P. (2009, April). A Sri Lankan Milestone in Telecommunications. *Business Today*, 13(12) 60-62.
- Inspector Electric Telegraph Ceylon. (1858-1859). [Letters addressed to the Colonial Secretary Colombo during the year 1858-1859]: Department of National Archives, Sri Lanka.
- Institute of Policy Studies of Sri Lanka. (2009). Sri Lanka State of Economy 2009. Colombo: Institute of Policy Studies of Sri Lanka.
- International Telecommunications Union. (11.03.2002). *World Telecommunication Development Conference 2002. Message from the Secretary-General of the ITU* Retrieved from http://www.itu.int/ITUUD/conferences/wtdc/2002/brochure/message_itu.html
- International Telecommunications Union. (11.03.2002). *World Telecommunication Development Conference 2002. The Who, What, Where and Why?* Retrieved from http://www.itu.int/ITUUD/conferences/wtdc/2002/brochure/who_what_where_why.html
- International Telecommunications Union. (2009). Confronting the Crisis: ICT Simulation Plans for Economic Growth (Second ed.): International Telecommunications Union.
- International Telecommunications Union. (2010, 11.03.2002). *World Telecommunication Development Conferences*. Retrieved from <http://www.itu.int/ITUUD/conferences/wtdc/index.html?year=1994>
- International Telecommunications Union. (2010, 30.03.2007). *Buenos Aires Declaration on Global Telecommunication Development for the 21st Century* Retrieved from <http://www.itu.int/itudoc/itu-d/wtdc/wtdc1994/badecle.txt>
- International Telecommunications Union. (2010, 05.10.2007). *Valletta Declaration*. Retrieved from http://www.itu.int/ITUUD/conferences/wtdc/1998/valletta_declaration.html

- International Telecommunications Union. (2010, 10.03.2010). *World Telecommunication Development Conferences*. Retrieved from <http://www.itu.int/ITU-D/conferences/wtdc/index.html?year=1994>
- International Telecommunications Union. (2010, 11.03.2002). *World Telecommunication Conference 2002. Think Globally, Prepare Locally* Retrieved from http://www.itu.int/ITU-D/conferences/wtdc/2002/brochure/think_globally.html
- International Telecommunications Union. (2010, 17.02.2010). *World Telecommunication Development Conference 2006*. Retrieved from <http://www.itu.int/ITU-D/conferences/wtdc/2006/>
- International Telegraph Convention with Berlin Revision of Service Regulations and Tariffs. (1885). London.
- Jayasinghe, R. (1997, September). SLT, A New Phase. *Business Today*, 2(5), 13-15.
- John Keells Holdings PLC. (2012). *Our History*. Retrieved from <http://www.keells.com/our-history.html>
- Jones, G. W., & Selvaratnam, S. (1970). Urbanization in Ceylon, 1946 - 63. *Modern Ceylon Studies*, 1(2), 199-212
- Kelegama, S. (2006). *Development Under Stress*. New Delhi: Sage.
- Knight-John, M. (1997). Performance Contracting: A Strategy for Public Enterprise Reform in Sri Lanka? Colombo: Institute of Policy Studies.
- Kularatne, W. G. (2006). Community Development in Sri Lanka. *Sri Lankan Journal of Librarianship and Information Management*, 2(1), 4.
- Kuruppu, I. (2005, December). Connecting People. *Business Today*, 10(8), 66-70.
- Ladduwahetty, R. (2000, March 21). Over Rs.43 Billion Investment in Countrywide Development of Telecom Infrastructure, *Daily News*, p. 1.
- Lanka Business Online. (2007). *Tech Assisted* Retrieved from <http://www.lankabusinessonline.com/fullstory.php?nid=1245973780>

- Ludowyk, E. F. C. (1966). *The Modern History of Ceylon*. London: Weidenfeld and Nicolson.
- Mahanama Thero. (2007). *The Mahavamsa* (W. Geiger, Trans.). Dehiwala: Buddhist Cultural Centre.
- Major, M., & Hopper, T. (2005). Managers Divided: Implementing ABC in a Portuguese Telecommunications Company. *Management Accounting Research*, 16, 205-229.
- Mendis, D. S. (1957). *Ceylon Today and Yesterday*. Colombo: Lake House.
- Mills, L. A. (1933). *Ceylon Under British Rule 1795 - 1932*. London: Oxford University.
- Ministry of Post Telecommunications and the Media. (1998). Performance Report 1998. Colombo.
- Ministry of Posts & Telecommunications. (2001). Performance Report, 2001. Colombo.
- National Council for Economic Development. *MDGs in Sri Lanka*. Retrieved from http://www.mdg.lk/inpages/thegoals/goal8_global_partnership.shtml#
- Overseas Telecommunications Service Sri Lanka. (1976). Annual Report.
- PA - Prime Mover of Lanka's Communications Revolution. (2004, March 03). *Daily News*, p. 5.
- Pethiyagoda, R. (1996, July 05). Benefits of an Expanded Telecom Network, *Daily News*, p. 6.
- Privatization-The Venture into Steel. (1997, January). *Business Today*, 1(9), 32-33.
- Rajakarunanayake, L. (1996, October). Sri Lanka Telecom in Perspective. *Business Today*, 1(6), 26-29.
- Ratwatte, C. (1995, October 08). Privatization: Selling Public Sector Reforms, *The Sunday Times Business*, p. 8.
- Rearrangement of Telephone Services. (1905) *Ceylon Sessional Papers*. Colombo.
- Recent Changes in the Telecom Sector in Sri Lanka. (1999, January 03). *The Sunday*

Observer, p. 17.

Report of the Auditor-General 1940 - 41. (1943) *Ceylon Sessional Papers 1943*. Colombo.

Report of the Postmaster-General and Director of Telecommunications. (1946-47) *Ceylon Administration Reports for 1946-47 - Posts and Telecommunications*. Colombo.

Report of the Postmaster-General and Director of Telecommunications. (1951) *Ceylon Administration Reports for 1948-49 - Posts and Telecommunications Department*. Colombo.

Report of the Postmaster-General and Director of Telecommunications. (1955) *Ceylon Administration Reports for 1953-54 - Post and Telecommunications*. Colombo.

Report of the Postmaster-General and Director of Telecommunications for 1945-46 with a review of the period 1939 - 1945. (1948) *Ceylon Administration Reports for 1945-46 - Posts and Telecommunications*. Colombo.

Report of the Postmaster-General and Director of Telegraphs. (1900) *Ceylon Administration Reports for 1900 - Post and Telegraphs*. Colombo.

Report of the Postmaster-General and Director of Telegraphs. (1905) *Ceylon Administration Reports for 1905 - Post and Telegraphs*. Colombo.

Report of the Postmaster-General and Director of Telegraphs. (1908) *Ceylon Administration Reports for 1908 - Post and Telegraphs*. Colombo.

Report of the Postmaster-General and Director of Telegraphs. (1910-11) *Ceylon Administration Reports for 1910-11 - Post and Telegraphs*. Colombo.

Report of the Postmaster-General and Director of Telegraphs. (1911-12) *Ceylon Administration Reports for 1911-12 - Post and Telegraphs*. Colombo.

Report of the Postmaster-General and Director of Telegraphs. (1912 -13) *Ceylon Administration Reports for 1912 -13 - Post and Telegraphs*. Colombo.

Report of the Superintendent of Telegraphs. (1903) *Ceylon Administration Reports for 1902*. Colombo.

- Roberts, M. (1970). Grain Taxes in British Ceylon, 1832 - 1878: Theories, Prejudices and Controversies. *Modern Ceylon Studies* 1(1), 115-146
- Rupasinghe, A. D. K. (2007). *Ayathana Ha Mudal Regulasi*. Maharagama: A. D. K. Rupasinghe.
- Samarajiva, R. (1997). Telecommunications in Western Asia and the Middle East In E. M. Noam (Ed.), *Institutional Reforms of Sri Lankan Telecommunications: Introduction of Competition and Regulation*. New York: Oxford University.
- Samarajiva, R. (No Date, 2012). *Sri Lanka's Telecom Revolution*. Retrieved from http://www.oecdobserver.org/news/fullstory.php/aid/487/Sri_Lanka_92s_telecom_revolution.html
- Samarasinghe, S. G. (1991, June 06). Turning Telecom Services into a Corporation, *Daily News*, p. 6.
- Samarawickreme, N. D. (2005). *Industrial Accumulation in Sri Lanka: Impact of Policy Shifts*. New Delhi: Gyan Publishing House.
- Schrikker, A. F. (2006). *Dutch and British Colonial Intervention in Sri Lanka c. 1780-1815: Expansion and Reform*. Doctor of Philosophy, University of Leiden, Leiden.
- Sharma, U., & Lawrence, S. (2008). Stability and Change in FPTL: An Institutional Perspective. *Australian Accounting Review*, 18(1), 25-34.
- Shaw, J. K. (2000). *Strategic Management in Telecommunications*. Boston: Artech House.
- Siriweera, W. I. (2004). *History of Sri Lanka from Earliest Times up to the Sixteenth Century*. Colombo: Dayawansa Jaykody.
- SLT Continues to Expand its Backbone Infrastructure for Broadband Services. (2007, December). *Business Today*, 12(8), 178.
- Sri Lanka Telecom (a). *About Us*. Retrieved from <http://www.slt.lk/data/aboutslt/aboutslt.htm>
- Sri Lanka Telecom (b). *Investor Relations*. Retrieved from <http://www.slt.lk/data/investor/021areports.htm>

Sri Lanka Telecom (c). *Social Responsibility*. Retrieved from
<http://www.slt.lk/data/socialresponsibility/responsibility.htm>

Sri Lanka Telecom. (1994). *Annual Report 1993*: Sri Lanka Telecom.

Sri Lanka Telecom. (1995). *Towards the Next Millennium* - Sri Lanka Telecom.

Sri Lanka Telecom. (2000). *Annual Report 1999*. Retrieved from
http://www.slt.lk/data/investor/pdf/annu_1999/html_version/index.htm

Sri Lanka Telecom. (2001). *Annual Report 2000*. Retrieved from
http://www.slt.lk/data/investor/pdf/annu_2000/html_version/intro/report.htm

Sri Lanka Telecom. (2002). *Annual Report 2001*. Retrieved from
http://www.slt.lk/data/investor/pdf/annu_2001/html_version/index_flash.htm

Sri Lanka Telecom. (2003). *Annual Report 2002*. Retrieved from
http://www.slt.lk/data/investor/pdf/annu_2002/html_version/main.htm

Sri Lanka Telecom. (2003). *Initial Public Offering*. Retrieved from
<http://www.slt.lk/data/investor/042ipo.htm>

Sri Lanka Telecom. (2004). *Annual Report 2003*. Retrieved from
http://www.slt.lk/data/investor/pdf/annu_2003/html_version/index.htm

Sri Lanka Telecom. (2005). *Annual Report 2004*. Retrieved from
http://www.slt.lk/data/investor/pdf/annu_2004/html_version/index.htm

Sri Lanka Telecom. (2006). *Annual Report 2005*. Retrieved from
http://www.slt.lk/data/investor/pdf/annu_2005/html_version/index.html

Sri Lanka Telecom. (2007). *Annual Report 2006*. Retrieved from
http://www.slt.lk/data/investor/pdf/annu_2006/html_version/index.htm

Sri Lanka Telecom. (2008). *Annual Report 2007*. Retrieved from
http://www.slt.lk/data/investor/pdf/annu_2007/intro.html

Sri Lanka Telecom. (2009). *Annual Report 2008*. Retrieved from
http://www.slt.lk/data/investor/pdf/annu_2008/intro.html

- Sri Lanka Telecom. (2010). *Annual Report 2009*. Retrieved from http://www.slt.lk/data/investor/pdf/annual_report_2009/intro.html
- Sri Lanka Telecom. (2011). *Annual Report 2010*. Retrieved from http://www.slt.lk/data/investor/pdf/annual_report_2010/html/annual_report_2010.swf
- Sri Lanka Telecom. (2013). *Annual Report 2012*. Retrieved from http://slt.lk/sites/default/files/sustainability_reports/SLT%20AR%202012.pdf
- Sri Lanka Telecom. (No Date). *SLT Vision 21 - Our Future*. Colombo.
- Sri Lanka Telecommunications Act, No.25 of 1991, Parliament of the Democratic Socialist Republic of Sri Lanka (1991).
- Sri Lanka Telecommunications (Revised) Act, No. 27 of 1996, Parliament of the Democratic Socialist Republic of Sri Lanka (1996).
- Sterling Scale of Salaries. (1906) *Ceylon Sessional Papers 1906*. Colombo.
- Suraweera, A. V. (2009). *Anuradhapura Samajaya* (3rd ed.). Colombo: Chatura.
- Telecommunications Regulatory Commission of Sri Lanka. (1998). *Performance Report 1998*. Colombo.
- Telecommunications Regulatory Commission of Sri Lanka. (2000). *Achieving Good Governance, Provision of Service Information to the General Public*.
- Telegraphic Communication. (1880) *Ceylon Sessional Papers*. Colombo.
- The Classification of Staff - Postal Department. (1906) *Ceylon Sessional Papers 1906*. Colombo.
- The Colonial Secretary Colombo (1876, January 27). [Correspondence Relating to the Ceylon Telegraphs].
- The Evolution of the Telephone. (2010). Retrieved from <http://timerime.com/en/timeline/129792/The+Evolution+of+the+Telephone/>
- The Long, Long Wait... (1991, June 16). *The Island*, p. 8.

- The Report of the Auditor-General 1941 - 42. (1943) *Ceylon Sessional Papers 1943*. Colombo.
- The Telegraph Traffic Arrangements in Ceylon. (1910) *Ceylon Sessional Papers*. Colombo.
- Ukwatte, J. L. S., Yapa, W. S., & Bellamy, S. (2011). *Imperialism and the Practicing Monopoly: Professionalization Anomalies on Accreditation of Accountants in Sri Lanka, 1941 - 1980*. Paper presented at the Accounting and Finance Association of Australia and New Zealand, Darwin.
- United Nations. (1965). United Nations - Treaty Series.
- United Nations Development Programme. (2011a). *International Human Development Indicators - Sri Lanka*. Retrieved from <http://hdrstats.undp.org/en/countries/profiles/LKA.html>
- United Nations Development Programme. (2011b). *International Human Development Indicators - Population living below \$1.25 PPP per day (%)*. Retrieved from <http://hdrstats.undp.org/en/indicators/38906.html>
- University of Colombo and SLT Mobitel Launch mLearning. (2008, October). *Business Today*, 13(6), 136.
- Watkins, T. *The Economy and Economic History of Sri Lanka*. Retrieved from <http://www.sjsu.edu/faculty/watkins/srilanka.htm>
- Wattegama, C. (1997, September). Telemedicine, Keeping the Doctor Away. *Business Today*, 2(5), 78-80.
- Weerakkody, D. (2003, May). Elevating Telecommunication. *Business Today*, 8 (1), 39-46.
- Wewalage, T. (2007, June 10). Telecom Prashnayedi Kata Katath Amathaka Una Paribhogikaya, *Silumina*, p. 8.
- Wickramasinghe, D., Hopper, T., & Rathnasiri, C. (2004). Japanese Cost Management Meets Sri Lankan Politics: Disappearance and Reappearance of Bureaucratic Management Controls in a Privatised Utility. *Accounting, Auditing & Accountability Journal*, 17(1), 85-120.

- Wijayasiri, J., & Jayaratne, S. (2009). Impact of Information Technology (IT) in Trade Facilitation on Small and Medium Enterprises(SMEs) in Sri Lanka. Colombo: Institute of Policy Studies of Sri Lanka.
- Wijesekera, N. (1991, April 10). Telecoms: Meeting Growing National Demand in Sri Lanka, *The Island*, p. 13.
- Wijesuriya, D. (1997, November). Prioritizing Customer Service. *Business Today*, 2(7), 39-43.
- Wijesuriya, D. (1997, September). NTT: Sri Lanka's Single Largest Investor. *Business Today*, 2(5), 8-10.
- Wijewardena, H., & Yapa, W. S. (1998). Colonialism and Accounting Education in Developing Countries: The Experience of Singapore and Sri Lanka. *International Journal of Accounting*, 33(2), 269-281.
- Wijewardena, W. A. (2008). Economics of Love Phones: It's the Cheapest Alternative. Retrieved from http://www.cbsl.gov.lk/pics_n_docs/11_edu/_docs/article_20080818.pdf
- Yapa, W. S. (2010). The Imperial Roots of Accounting Closure: The Case of Sri Lanka. In C. Poullaos & S. Sian (Eds.), *Accountancy and Empire: The British Legacy of Professional Organization*. New York: Routledge.
- Zeylanicus. (1970). *Ceylon between Orient and Occident*. London: Elek Books.

Appendix 2 Letter of Human Ethics Approval

Human Ethics Committee

Tel: +64 3 364 2241, Fax: +64 3 364 2856, Email: human-ethics@canterbury.ac.nz



Ref: HEC 2009/155

30 October 2009

Gayathri Gunatilake
Department of Accounting and Information Systems
UNIVERSITY OF CANTERBURY

Dear Gayathri

The Human Ethics Committee advises that your research proposal "Management accounting practices in the development of organizations: The telecommunication industry in Sri Lanka" has been considered and approved.

Please note that this approval is subject to the incorporation of the amendments you have provided in your email of 22 October 2009.

Best wishes for your project.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'M Grimshaw'.

Dr Michael Grimshaw
Chair, Human Ethics Committee

Appendix 3 Letter of Supervisors' Support

College of Business and Economics

Department of Accounting & Information Systems
University of Canterbury, Private Bag 4800
Christchurch 8140, New Zealand
Tel: +64 3 364 2620; Fax: +64 364 2727
Email: beverley.lord@canterbury.ac.nz



6 November 2009

TO WHOM IT MAY CONCERN

Re: Research by Business PhD Candidate Gayathri Gunatilake

We are supervising Gayathri in the research she is conducting for her business PhD degree. Her research involves studying how companies use particular business methods and systems. We are writing in support of her request to visit your company to observe and discuss with you and your staff aspects of these methods and systems. In particular, Gayathri is trying to find out more about design and usage of management accounting information in the telecommunications industry in Sri Lanka. She is interested in both routine and ad hoc ways that financial and non-financial information is gathered, processed and applied to enable a company's managers, supervisors and workforce to plan, monitor, coordinate, control and evaluate the operations they are involved in.

Most of the management accounting control systems that have been researched and written about are ones found in the USA, the UK and a few other countries. They often feature in business courses and textbooks about doing business, which are distributed worldwide. However, it would be a mistake to believe that these can be adopted and used by firms in other countries without at the very least some adaptation to take into account different cultural, political, economic, ethnic and demographic characteristics of the country, the locality and the people involved. Some research about this issue has been carried out in countries such as India, Sri Lanka, Bangladesh and Indonesia.

If you are agreeable to her carrying out her research in your company, we are able to guarantee you confidentiality and, if you so desire, anonymity. Gayathri will carry out the study and then prepare an extended report, or thesis. Following that, she may present her findings to international academic conferences, write articles for journals and write chapters for books. Before the thesis is submitted, and before any other items are published, Gayathri would allow you to examine the parts that relate findings from your company. This would enable you to indicate whether there are any errors of fact and whether there is anything sensitive that you would not like her to publish or things that you would like to change so that your company could not be identified.

That said, we do not envisage needing to quote any sensitive information. Gayathri is interested in how systems are developed and adapted, not the actual financial and non-financial figures – nothing in the way of numerical information that is not already in the public domain would be included in any publication, and Gayathri would keep confidential any figures that she might see during the research.

As far as access goes, Gayathri would like to interview people involved with management accounting information – the sources of financial and non-financial information, the preparers and users of reports, those who develop and maybe have adapted systems, etc. She would like to have access to interview people in the accounting department and in management, either during their working day or after hours at a convenient time and place.

Hoping this request for access results in a favourable reply,

Kind regards



Beverley Lord (Dr)
Associate Professor



Keith Dixon (Dr)
Senior lecturer

Appendix 4 Approval from Sri Lanka Telecom

College of Business and Economics

Department of Accounting & Information Systems
University of Canterbury, Private Bag 4800
Christchurch 8140, New Zealand
Tel: +64 3 364 2620; Fax: +64 364 2727
Email: beverley.lord@canterbury.ac.nz



6 November 2009

TO WHOM IT MAY CONCERN

Re: Research by Business PhD Candidate Gayathri Gunatilake

We are supervising Gayathri in the research she is conducting for her business PhD degree. Her research involves studying how companies use particular business methods and systems. We are writing in support of her request to visit your company to observe and discuss with you and your staff aspects of these methods and systems. In particular, Gayathri is trying to find out more about design and usage of management accounting information in the telecommunications industry in Sri Lanka. She is interested in both routine and ad hoc ways that financial and non-financial information is gathered, processed and applied to enable a company's managers, supervisors and workforce to plan, monitor, coordinate, control and evaluate the operations they are involved in.

Most of the management accounting control systems that have been researched and written about are ones found in the USA, the UK and a few other countries. They often feature in business courses and textbooks about doing business, which are distributed worldwide. However, it would be a mistake to believe that these can be adopted and used by firms in other countries without at the very least some adaptation to take into account different cultural, political, economic, ethnic and demographic characteristics of the country, the locality and the people involved. Some research about this issue has been carried out in countries such as India, Sri Lanka, Bangladesh and Indonesia.

If you are agreeable to her carrying out her research in your company, we are able to guarantee you confidentiality and, if you so desire, anonymity. Gayathri will carry out the study and then prepare an extended report, or thesis. Following that, she may present her findings to international academic conferences, write articles for journals and write chapters for books. Before the thesis is submitted, and before any other items are published, Gayathri would allow you to examine the parts that relate findings from your company. This would enable you to indicate whether there are any errors of fact and whether there is anything sensitive that you would not like her to publish or things that you would like to change so that your company could not be identified.

That said, we do not envisage needing to quote any sensitive information. Gayathri is interested in how systems are developed and adapted, not the actual financial and non-financial figures – nothing in the way of numerical information that is not already in the public domain would be included in any publication, and Gayathri would keep confidential any figures that she might see during the research.

*Agreed to conduct the
above interviews subject to
to release only the info
available in the public
domain but not of any
sensitive info. H. [Signature] CEO 6/11/09*

Appendix 5 Information Letter

College of Business and Economics

Department of Accounting and Information Systems

University of Canterbury, Private Bag 4800

Christchurch 8140, New Zealand

Email: pag78@uclive.ac.nz



INFORMATION

Your company is being invited to participate in the research project, “Accounting Practices: The Change I See”.

The aim of this project is to examine the reasons for changes in the management accounting systems of organizations from a Sinhalese Buddhist perspective. Sri Lanka Telecom is being approached to take part in this study.

Your involvement in this project will be to provide information about the accounting practices applied in your firm by way of interviews; each interview will take about one hour. The venue and time for the interviews will be arranged according to your convenience. You have the right to withdraw from the project at any time, including withdrawal of any information provided. Data will be stored for a period of 3 years, i.e., until the end of the research. At the end of the project all identifying information will be destroyed. However, data with no identifying information will be securely stored for publication purposes in future.

As a follow-up to this investigation, you may, if you wish, go through the transcripts of your interviews to ensure that information has been accurately recorded. A copy of relevant parts of the thesis and any subsequent conference and academic journal articles will be given to the company to check for sensitive information.

Further, please grant permission to conduct interviews with selected employees from all divisions and levels of the company according to requirements of the study. A “snow-ball sampling” method will be used to conduct interviews; that is, interviewees will be asked to recommend other people in the firm who are likely to be knowledgeable about the topic. However, no one will be informed by whom they were introduced nor will later interviewees be told who gave earlier information.

In the performance of the tasks and application of the procedures there is no foreseen risk.

The PhD thesis will be publicly available at the library of the University of Canterbury and the results of the project may be published in academic conferences and journals, but you may be assured of the complete confidentiality of data gathered in this investigation: the identity of participants will not be made public without their consent. To ensure anonymity and confidentiality, names of interviewees will not be mentioned in the report. When transcribing the interviews, names of individuals will be eliminated.

The project is being carried out as a requirement for a PhD research thesis in Accounting and Information Systems by Gayathri Gunatilake (pag78@uclive.ac.nz) under the supervision of Associate Prof. Beverley Lord (beverley.lord@canterbury.ac.nz) and Dr. Keith Dixon (keith.dixon@canterbury.ac.nz), who can be contacted at +64 3 364 2620 and +64 3 364 2987 extension 3681 respectively. They will be pleased to discuss any concerns you may have about participation in the project.

The project has been reviewed and approved by the University of Canterbury Human Ethics Committee.

Gayathri Gunatilake

PhD student

References

- Abdel-Kader, M., & Luther, R. (2008). The Impact of Firms Characteristics on Management Accounting Practices: A UK-Based Empirical Analysis. *British Accounting Review*, 40, 2-27.
- Abernethy, M. A., & Guthrie, C. H. (1994). An Empirical Assessment of the "Fit" Between Strategy and Management Information System Design. *Accounting & Finance*, 34(2), 49-66.
- Alawattage, C., & Wickramasinghe, D. (2008). Appearance of Accounting in a Political Hegemony. *Critical Perspectives on Accounting*, 19(3), 293-339.
- Alawattage, C., & Wickramasinghe, D. (2009). Weapons of the Weak: Subalterns' Emancipatory Accounting in Ceylon Tea. *Accounting, Auditing & Accountability Journal*, 22(3), 379-404.
- Anderson, S. W., & Young, S. M. (1999). The Impact of Contextual and Process Factors on the Evaluation of Activity-Based Costing Systems. *Accounting, Organizations and Society*, 24(7), 525-559.
- Astley, W. G., & Van de Ven, A. H. (1983). Central Perspectives and Debates in Organization Theory. *Administrative Science Quarterly*, 28(2), 245-273.
- Auzair, S. M., & Langfield-Smith, K. (2005). The Effect of Service Process Type, Business Strategy and Life Cycle Stage on Bureaucratic MCS in Service Organizations. *Management Accounting Research*, 16, 399-421.
- Baines, A., & Langfield-Smith, K. (2003). Antecedents to Management Accounting Change: A Structural Equation Approach. *Accounting, Organizations and Society*, 28, 675-698.
- Barnett, W. P., & Carroll, G. R. (1995). Modeling Internal Organizational Change. *Annual Review of Sociology*, 21, 217-236.
- Beverland, M., & Lockshin, L. S. (2001). Organizational Life Cycles in Small New Zealand Wineries. *Journal of Small Business Management*, 39(4), 354-362.

- Bhikkhu Nanajivako. (1981). Buddhism and Modern Philosophies of Existence. In N. Katz (Ed.), *Buddhist and Western Philosophy*. New Delhi: Sterling Publishers.
- Bourdieu, P., & Wacquant, L. J. D. (1992). *An Invitation to Reflexive Sociology*. Chicago: University of Chicago Press.
- Briers, M., & Chua, W. F. (2001). The Role of Actor-Networks and Boundary Objects in Management Accounting Change: A Field Study of an Implementation of Activity-Based Costing. *Accounting, Organizations and Society*, 26(3), 237-269.
- Broadbent, J., & Laughlin, R. (2005). Organisational and Accounting Change: Theoretical and Empirical Reflections and Thoughts on a Future Research Agenda. *Journal of Accounting & Organizational Change*, 1, 7-26.
- Brownell, P., & Hirst, M. (1986). Reliance on Accounting Information, Budgetary Participation, and Task Uncertainty: Tests of a Three-Way Interaction. *Journal of Accounting Research*, 24(2), 241-249.
- Burger, D. (2013). Phenomenological Perspectives on Change. Change Management. Retrieved from http://www.themanager.org/strategy/Phenomenological_Perspectives_on_Change_-_Daniel_Burger.pdf
- Burns, J., & Baldvinsdottir, G. (2005). An Institutional Perspective of Accountants' New Roles - The Interplay of Contradictions and Praxis. *European Accounting Review*, 14(4), 725-757.
- Burns, J., & Scapens, R. W. (2000). Conceptualizing Management Accounting Change: An Institutional Framework. *Management Accounting Research*, 11, 3-25.
- Burns, J., & Vaivio, J. (2001). Management Accounting Change. *Management Accounting Research*, 12(4), 389-402.
- Burrell, G., & Morgan, G. (1992). *Sociological Paradigms & Organisational Analysis*. England: Ashgate.
- Busco, C., Quattrone, P., & Riccaboni, A. (2007). Management Accounting Issues in Interpreting its Nature and Change. *Management Accounting Research*, 18(2), 125-149.

- Busco, C., & Scapens, R. W. (2011). Management Accounting Systems and Organisational Culture. *Qualitative Research in Accounting & Management*, 8(4), 320-357.
- Callahan, C. M., & Gabriel, E. A. (1998). The Differential Impact of Accurate Product Cost Information in Imperfectly Competitive Markets: A Theoretical and Empirical Investigation. *Contemporary Accounting Research* 15(4), 419-455.
- Carnall, C. A. (1995). *Managing Change in Organizations*. London: Prentice Hall.
- Chandawimala, R. Thero (1947). *Four Noble Truths*. Pokunuwita: Sri Chandawimala Dhamma Treatises Preservation Board.
- Chenhall, R. H. (2003). Management Control Systems Design Within its Organizational Context: Findings from Contingency-Based Research and Directions for the Future. *Accounting, Organizations and Society*, 28, 127-168.
- Chenhall, R. H., & Morris, D. (1986). The Impact of Structure, Environment, and Interdependence on the Perceived Usefulness of Management Accounting Systems. *Accounting Review*, 61(1), 16-35
- Cherry, K. (2012). *Albert Bandura Biography*. Retrieved from http://psychology.about.com/od/profilesofmajorthinkers/p/bio_bandura.htm
- Chetty, S. (1996). The Case Study Method for Research in Small-and Medium-Sized Firms. *International Small Business Journal*, 15(1), 73 - 85.
- Chongruksut, W. (2009). Organizational Culture and the Use of Management Accounting Innovations in Thailand. *Ramkhamhaeng University International Journal*, 3(1), 113-125.
- Clarke, A. E. (2005). *Situational Analysis: Grounded Theory after the Postmodern Turn*. Thousand Oaks, California: Sage Publications.
- Coad, A. F., & Cullen, J. (2006). Inter-Organisational Cost Management: Towards an Evolutionary Perspective. *Management Accounting Research*, 17(4), 342-369.
- Collins, D. (1998). *Organizational Change: Sociological Perspectives*. London: Routledge.
- Columbia University Graduate School of Architecture, Planning and Preservation. (2012).

Experiments in Motion. Retrieved from
<http://blog.experimentsinmotion.com/post/18809428524/the-digital-stroboscopic-image-of-a-dancer-above>

- Davila, A., & Foster, G. (2005). Management Accounting Systems Adoption Decisions: Evidence and Performance Implications from Early-Stage/Startup Companies. *Accounting Review*, 80(4), 1039-1068.
- Davila, T., & Oyon, D. (2008). Cross-Paradigm Collaboration and the Advancement of Management Accounting Knowledge. *Critical Perspectives on Accounting*, 19, 887-893.
- De Silva, N. (1999). *Mage Lokaya*. Maharagama: Chinthana Parshadaya.
- De Silva, N. (2002, February 13). Religion, Culture, Civilisation and Domination - II, *The Island*, p. 14.
- De Silva, N. (2005). *Constructive Relativism*. Retrieved from
<http://www.kalaya.org/files/npe051127.pdf>
- De Silva, N. (2006). *Ape Pravada*. Boralessgamuwa: Visidunu.
- Dent, J. F. (1991). Accounting and Organizational Cultures: A Field Study of the Emergence of a New Organizational Reality. *Accounting, Organizations and Society*, 16(8), 705-732.
- Dillard, J. F., Rigsby, J. T., & Goodman, C. (2004). The Making and Remaking of Organization Context. *Accounting, Auditing & Accountability Journal*, 17(4), 506-542.
- Donaldson, L. (2001). *Contingency Theory of Organizations*. Thousand Oaks, California: Sage.
- Dunk, A. S. (1992). Reliance on Budgetary Control, Manufacturing Process Automation and Production Subunit Performance: A Research Note. *Accounting, Organizations and Society*, 17(3/4), 195-203.
- Engler, B. (2009). Personality Theories: An Introduction. Retrieved from

[http://books.google.co.nz/books?id=UHCdjI36q9cC&pg=PA209&lpg=PA209&dq=John+Dollard+\(1900-1980\)&source=bl&ots=PzvZARlYb6&sig=99OAhxtZSHYfZCy8aIUE-JwEOz8&hl=en&sa=X&ei=O553UObfIOXqiAfosYGwAQ&ved=0CEoQ6AEwBg#v=onepage&q=John%20Dollard%20\(1900-1980\)&f=false](http://books.google.co.nz/books?id=UHCdjI36q9cC&pg=PA209&lpg=PA209&dq=John+Dollard+(1900-1980)&source=bl&ots=PzvZARlYb6&sig=99OAhxtZSHYfZCy8aIUE-JwEOz8&hl=en&sa=X&ei=O553UObfIOXqiAfosYGwAQ&ved=0CEoQ6AEwBg#v=onepage&q=John%20Dollard%20(1900-1980)&f=false)

- Fear, J. (2014). Mining the Past: Historicizing Organizational Learning and Change. In M. Bucheli & R. D. Wadhvani (Eds.), *Organizations in Time*. New York: Oxford University.
- Foster, G., & Swenson, D. W. (1997). Measuring the Success of Activity-Based Cost Management and its Determinants. *Journal of Management Accounting Research*, 9(1), 109-141.
- Fox-Wolfgramm, S. J., Boal, K. B., & Hunt, J. G. (1998). Organizational Adaptation to Institutional Change: A Comparative Study of First-Order Change in Prospector and Defender Banks. *Administrative Science Quarterly*, 43(1), 87-127.
- Garfinkel, H. (1967). *Studies in Ethnomethodology*. Malden, Massachusetts: Blackwell Publishers.
- Giddens, A. (1982). *Profiles and Critiques in Social Theory*. London: Macmillan.
- Gordon, L. A., & Miller, D. (1976). A Contingency Framework for the Design of Accounting Information Systems. *Accounting, Organizations and Society*, 1(1), 59-69.
- Gosselin, M. (1997). The Effect of Strategy and Organizational Structure on the Adoption and Implementation of Activity-Based Costing. *Accounting, Organizations and Society*, 22(2), 105-122.
- Graetz, F., & Smith, A. C. T. (2010). Managing Organizational Change: A Philosophies of Change Approach. *Journal of Change Management*, 10(2), 135-154.
- Granlund, M., & Thaipaleenmaki, J. (2005). Management Control and Controllershship in New Economy Firms: A Life Cycle Perspective. *Management Accounting Research*, 16, 21-57.
- Guerra, J. M. (No Date). An Introduction to a Non-Linear, Social Action Theory of the ELT Classroom. Retrieved from

<http://www.wordpowered.org/files/SocialActionTheoryELT.pdf>(<http://www.wordpowered.org/files/SocialActionTheoryELT.pdf>)

- Guerreiro, R., Pereira, C. A., & Frezatti, F. b. (2006). Evaluating Management Accounting Change According to the Institutional Theory Approach: A Case Study of a Brazilian Bank. *Journal of Accounting & Organizational Change*, 2(3), 196-228.
- Gunawardana, M. (2007). *Making the Connection - SLT and 150 Years of Telecommunications in Sri Lanka*. Colombo: SLT Publications.
- Hanks, S. H., Watson, C. J., Jansen, E., & Chandler, G. N. (1993). Tightening the Life-Cycle Construct: A Taxonomic Study of Growth Stage Configurations in High-Technology Organizations. *Entrepreneurship Theory and Practice*, 18(2), 5-30.
- Hatch, M. J. (1997). *Organization Theory: Modern, Symbolic, and Postmodern Perspectives*. New York: Oxford University.
- Hayes, D. C. (1977). The Contingency Theory of Managerial Accounting. *The Accounting Review*, 52(1), 22-39.
- Hergenhahn, B. R. (1997). *An Introduction to the History of Psychology* (3rd ed.). Pacific Grove, CA: Brooks/Cole
- Hodgson, G. M. (2002). Darwinism in Economics: From Analogy to Ontology. *Journal of Evolutionary Economics*, 12, 259-281.
- Hodgson, G. M., & Knudsen, T. (2006). Why We Need a Generalized Darwinism, and Why Generalized Darwinism is Not Enough. *Journal of Economic Behavior & Organization*, 61(1), 1-19.
- Hofstede, G. H. (1967). *The Game of Budget Control*. Netherlands: Koninklijke Van Gorcum.
- Hrebiniak, L. G., & Joyce, W. F. (1985). Organizational Adaptation: Strategic Choice and Environmental Determinism. *Administrative Science Quarterly*, 30(3), 336-349.
- Innes, J., & Mitchell, F. (1990). The Process of Change in Management Accounting: Some Field Study Evidence. *Management Accounting Research*, 1(1), 3-19.

- Jawahar, I. M., & Mclaughlin, G. L. (2001). Toward a Descriptive Stakeholder Theory: An Organizational Life Cycle Approach. *Academy of Management Review*, 26(3), 397-414.
- Jayasinghe, K., & Wickramasinghe, D. (2007). Calculative Practices in a Total Institution. *Qualitative Research in Accounting & Management*, 4(3), 183-202.
- Johansson, T., & Siverbo, S. (2009). Why is Research on Management Accounting Change not Explicitly Evolutionary? Taking the Next Step in the Conceptualisation of Management Accounting Change. *Management Accounting Research*, 20(2), 146-162.
- Kallunki, J.-P., & Silvola, H. (2008). The Effect of Organizational Life Cycle Stage on the Use of Activity-Based Costing. *Management Accounting Research*, 19(1), 62-79.
- Kalupahana, D. J. (1992). *A History of Buddhist Philosophy: Continuities and Discontinuities*. Honolulu, Hawaii: University of Hawaii Press.
- Kalupahana, D. J. (1976). *Buddhist Philosophy : A Historical Analysis*. Honolulu, Hawaii: The University Press of Hawaii.
- Kearins, K., & Hooper, K. (2002). Genealogical Method and Analysis. *Accounting, Auditing & Accountability Journal*, 15(5), 733-757.
- Kezar, A. J. (2001). *Understanding and Facilitating Organizational Change in the 21st Century* (Vol. 28). San Francisco, California: Jossey-Bass.
- Klein, H. K., & Myers, M. D. (1999). A Set of Principles for Conducting and Evaluating Interpretive Field Studies in Information Systems. *MIS Quarterly*, 23(1), 67-93.
- Laumakis, S. J. (2008). *An Introduction to Buddhist Philosophy*. New York: Cambridge University Press.
- Lester, D. L., & Parnell, J. A. (2008). Firm Size and Environmental Scanning Pursuits Across Organizational Life Cycle Stages. *Journal of Small Business and Enterprise Development*, 15(3), 540-554.
- Lester, D. L., Parnell, J. A., & Carraher, S. (2003). Organizational Life Cycle: A Five-Stage

- Empirical Scale. *The International Journal of Organizational Analysis*, 11(4), 339-354.
- Lester, S. (1999). *An Introduction to Phenomenological Research*. Retrieved from <http://www.sld.demon.co.uk/resmethy.pdf>
- Macintosh, N. B. (2008). *Towards a Nietzschean Genealogical 'Effective' History Approach*. September 18, 2008. Retrieved from <http://ssrn.com/abstract=1392811>
- Macintosh, N. B., & Scapens, R. W. (1990). Structuration Theory in Management Accounting. *Accounting, Organizations and Society*, 15(5), 455-477.
- Malmi, T. (1999). Activity-Based Costing Diffusion Across Organizations: an Exploratory Empirical Analysis of Finnish Firms. *Accounting, Organizations and Society*, 24(8), 649-672.
- McGrath, R. G. (2006). Beyond Contingency: From Structure to Structuring in the Designing of the Contemporary Organization. In S. R. Clegg, C. Hardy, T. B. Lawrence & W. R. Nord (Eds.), *The Sage Handbook of Organization Studies* (Second ed.). London: Sage.
- Miller, D., & Friesen, P. (1980). Archetypes of Organizational Transition. *Administrative Science Quarterly*, 25(2), 268-299.
- Miller, D., & Friesen, P. H. (1984). A Longitudinal Study of the Corporate Life Cycle. *Management Science*, 30(10), 1161-1183.
- Modell, S. (2005). Triangulation Between Case Study and Survey Methods in Management Accounting Research: An Assessment of Validity Implications. *Management Accounting Research*, 16, 231-254.
- Moll, J., Burns, J., & Major, M. (2006). Institutional Theory. In Z. Hoque (Ed.), *Methodological Issues in Accounting Research: Theories, Methods and Issues*. London: Spiramus.
- Moore, K., & Yuen, S. (2001). Management Accounting Systems and Organizational Configuration: A Life-Cycle Perspective. *Accounting, Organizations and Society*, 26(4-5), 351-389.

- Morgan, G. (1986). *Images of Organizations*. Newbury Park, California: Sage.
- Morgan, G., & Smircich, L. (1980). The Case for Qualitative Research *The Academy of Management Review*, 5, 491-500.
- Mumby, D. K. (2005). Theorizing Resistance in Organization Studies: A Dialectical Approach. *Management Communication Quarterly*, 19(1), 19-44.
- Nassar, M., Al-Khadash, H. A., Sangster, A., & Mah'D, O. (2013). Factors that Catalyse, Facilitate and Motivate the Decision to Implement Activity-Based Costing in Jordanian Industrial Companies. *Journal of Applied Accounting Research*, 14(1), 18-36.
- Nayanatiloka Thero. (2004). *Buddhist Dictionary*. Kandy: Buddhist Publication Society.
- Nisbett, R. E. (2005). *The Geography of Thought*. London: Nicholas Brealey.
- No Author. (2003). *The Questions of King Milinda* (T. W. R. Davids, Trans. F. M. Muller Ed. Vol. 35). Delhi: Motilal Banarsidass.
- No Author. (No Date). *The Buddhist Concept of Impermanence*. Retrieved from <http://www.urbandharma.org/udharma8/imperm.html>
- Noumenon. (2000). In *Oxford English Dictionary online*. Retrieved from <http://www.oed.com.ezproxy.canterbury.ac.nz/view/Entry/128690?redirectedFrom=noumenon#eid>
- Parker, L.D. (2012). Qualitative Management Accounting Research: Assessing Deliverables. *Critical Perspectives on Accounting*, 23(1), 54-70.
- Poggi, G. (1965). A Main Theme of Contemporary Sociological Analysis: Its Achievements and Limitations. *British Journal of Sociology*, 16(4), 283-194.
- Preston, A. M. (1992). The Birth of Clinical Accounting: A Study of the Emergence and Transformation of Discourses on Costs and Practices of Accounting. *Accounting, Organizations and Society*, 17(1), 63-107.
- Quattrone, P., & Hopper, T. (2001). What Does Organizational Change Mean? Speculations on a Taken for Granted Category. *Management Accounting Research*, 12(4), 403-435.

- Rajagopalan, N., & Spreitzer, G. M. (1997). Towards a Theory of Strategic Change: A Multi-lens Perspective and Integrated Framework. *Academy of Management Review*, 22(1), 48-79.
- Ryan, G. N., & Bernard, H. R. (2003). Data Management and Analysis Methods. In N. K. Denzin & Y. S. Lincoln (Eds.), *Collecting and Interpreting Qualitative Materials* (2nd ed.). Thousand Oaks, California: Sage.
- Scapens, R. W. (2006). Understanding Management Accounting Practices: A Personal Journey. *The British Accounting Review*, 38, 1-30.
- Schein, E. H. (2004). *Organizational Culture and Leadership*. San Francisco: Jossey-Bass.
- Scott, W. R., & Meyer, J. W. (1994). *Institutional Environments and Organizations : Structural Complexity and Individualism*. Thousand Oaks, California: Sage.
- Seo, M. G., & Creed, W. E. D. (2002). Institutional Contradictions, Praxis, and Institutional Change: A Dialectical Perspective. *Academy of Management Review*, 5(3-4), 301-321.
- Siderits, M. (2011). Buddhist Non-Self: The No Owner's Manual. In S. Gallagher (Ed.), *The Oxford Handbook of The Self*. New York: Oxford University Press.
- Silvola, H. (2008a). Design of MACS in Growth and Revival Stages of the Organizational Life-Cycle. *Qualitative Research in Accounting & Management*, 5(1), 27-47.
- Silvola, H. (2008b). Do Organizational Life-Cycle and Venture Capital Investors Affect the Management Control Systems Used by the Firm? *Advances in Accounting*, 24(1), 128-138.
- Simon, H. A. (1964). On the Concept of Organizational Goal. *Administrative Science Quarterly*, 9(1), 1-22.
- Smith-Blair, N., Smith, B. L., Bradley, K. J., & Gaskamp, C. (1999). Making Sense of a New Nursing Role: A Phenomenological Study of an Organizational Change. *Journal of Professional Nursing*, 15(6), 340-348.
- Stcherbatsky, F. T. (1930). *Buddhist Logic* (Vol. 1). New York: Dover.

- Tomkins, C., & Groves, R. (1983). The Everyday Accountant and Researching His Reality. *Accounting, Organizations and Society*, 8(4), 361-374.
- Van de Ven, A. H., & Poole, M. S. (1995). Explaining Development and Change in Organizations. *Academy of Management Review*, 20(3), 510-540.
- Vloothuis. (2008). *A Beginners Guide to Capturing Motion in Your*. Retrieved from <http://e.shijieminghua.com/final.asp?id=486&page=2>
- Wanderley, C. D. A., Miranda, L. C., Matos de Meira, J., & Cullen, J. (2011). Management Accounting Change: A Model Based on Three Different Theoretical Frameworks. *Base*, 8(2), 112-121.
- Wansapura, J. (2008). National Integration - A Salad or a Sambol? Retrieved from <http://www.kalaya.org/files/r0013.pdf>
- Weerawardhene, S. (2007). *Nirmaanaathmaka Saapeshthaawaadhaya Gena Henidinweemak*. Maharagama: Chinthana Parshadaya.
- Weick, K. E., & Quinn, R. E. (1999). Organizational Change and Development. *Annual Review of Psychology*, 50, 361-386.
- Weintraub, J. (2006). *Clifford Geertz*. Retrieved from <http://jeffweintraub.blogspot.co.nz/2006/11/clifford-geertz-1926-2006.html>
- Wickramasinghe, D., & Hopper, T. (2005). A Cultural Political Economy of Management Accounting Controls: A Case Study of a Textile Mill in a Traditional Sinhalese Village. *Critical Perspectives on Accounting*, 16(4), 473-503.
- Wickramasinghe, D., Hopper, T., & Rathnasiri, C. (2004). Japanese Cost Management Meets Sri Lankan Politics: Disappearance and Reappearance of Bureaucratic Management Controls in a Privatised Utility. *Accounting, Auditing & Accountability Journal*, 17(1), 85-120.